

AREA PROGRAM BUDGETING PROCEDURES MANUAL

STATE OF NORTH CAROLINA Department of Human Resources

Division of Mental Health and
Developmental Disabilities Services

SUBJECT: Area Program Budgeting and Procedures
Manual Revision Record

Section No. _____

Subsection No. _____

Page 1 of 2

Effective 7/1/95

Supersedes _____

Periodically, revisions are made to the Area Program Budgeting Procedures Manual consisting of additional information or corrections of existing information. Each revision is sent to all Area Program Budgeting and Procedures Manual users to inform them of any changes and to update the Area Program Budgeting and Procedures Manual. Revisions are numbered and designated as "supersedes" in the upper right-hand corner of the pages received. The date and initials of the person inserting the revision should be entered opposite the revision number on this Revision Record. This will provide a permanent record for the Area Program Budgeting and Procedures Manual user to account for all revisions to the manual.

<u>Revision Number</u>	<u>Date Inserted</u>	<u>Employee Initials</u>	<u>Revision Number</u>	<u>Date Inserted</u>	<u>Employee Initials</u>
1.	_____	_____	12.	_____	_____
2.	_____	_____	13.	_____	_____
3.	_____	_____	14.	_____	_____
4.	_____	_____	15.	_____	_____
5.	_____	_____	16.	_____	_____
6.	_____	_____	17.	_____	_____
7.	_____	_____	18.	_____	_____
8.	_____	_____	19.	_____	_____
9.	_____	_____	20.	_____	_____
10.	_____	_____	21.	_____	_____
11.	_____	_____	22.	_____	_____

<u>Revision Number</u>	<u>Date Inserted</u>	<u>Employee Initials</u>
23.	_____	_____
24.	_____	_____
25.	_____	_____
26.	_____	_____
27.	_____	_____
28.	_____	_____
29.	_____	_____
30.	_____	_____
31.	_____	_____
32.	_____	_____

AREA PROGRAM BUDGETING AND PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental Disabilities and Substance Abuse Services	07/01/95
FISCAL MANAGEMENT	Section No. <u>1</u>
	Subsection No. _____
	Effective <u>07/01/95</u>
SUBJECT: Table of Contents	Supersedes <u>4/21/80</u>

<u>SECTION NUMBER</u>	<u>DESCRIPTION</u>
1	Table of Contents
2	Introduction
*3	
4	Reporting on Allocations: Subsections: 4.2 Audit Reports and Procedures 4.3 Tentative Settlement Reports
*5	
6	Travel Expense Regulations for Area Programs and a Suggested Travel Policy
*7	
*8	
9	Tuition Refund for Local Employees
*10	
11	Moving Expense Regulations for Area Programs
*12	
13	Exemption of Area Programs from Payment of Federal Excise Taxes
*14	
*15	
*16	
17	Sales (County and State) and Use Tax Refunds
18	Per Diem and Travel Reimbursement for Area Board Members
*19	
20	Unallowable Area Program Expenditures
21	Fund Balance Policy for Contract Affiliates
22	Area Administration Cost Limitation on Pass-Through Funding

23	
Consultation Fees	
*24	
25	NCAC
(APA) Accounting Rules	

*Section Numbers Reserved for Future
Distribution Purposes

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental	07/01/95
Disabilities and Substance Abuse Services	
FISCAL MANAGEMENT	Section No. <u>2</u>
	Subsection No. _____
	Effective <u>07/01/95</u>
	Supersedes <u>4/21/80</u>

SUBJECT: Introduction

1. Purpose and Scope. This manual sets forth an accumulation of policies and procedures (including rules filed in the North Carolina Administrative Code [APA]) promulgated by the Division of Mental Health, Developmental Disabilities and Substance Abuse Services affecting the fiscal and business operation of area programs.
2. Content and Incorporation of Manual Sections Previously Distributed. The Area Program Budgeting Procedures Manual, APSM 75-1, was officially entered into the Administrative Publications System (APS) as of April 21, 1980.
3. References.
 - A. Section 25 of this manual contains all of the divisional accounting rules relating to area programs filed in the North Carolina Administrative Code (NCAC). The accounting rules are codified in 10 NCAC 14C SECTION .1000 - ACCOUNTING STANDARDS FOR ALL RECIPIENTS OF FUNDS ADMINISTERED BY THE DIVISION; 10 NCAC 14C SECTION .1100 - STATE AND FEDERAL FUNDS ADMINISTERED; and 10 NCAC 14D .0006 USE OF DIVISION FUNDS FOR INPATIENT SERVICES.
 - B. All of these rules have been adopted pursuant to the provisions of the Administrative Procedure Act (APA) contained in G.S. 150B and have been presented at various public hearings for comment from February 1976 to the present time.
 - C. A list of the NCAC rule numbers, rule names and the effective date or the latest amended effective date is given at the beginning of Section 25.

- D. A complete history note follows each rule which gives the statutory authority for that rule as well as the original effective date and all dates of amendment or repeal. The most recent amended effective date is listed first.

EFFECTIVE: See effective dates indicated in each section; history notes reflect the effective dates of Rules rules contained in Section 25.

OPR (OFFICE OF
PRIMARY RESPONSIBILITY): Chief of Fiscal Services Section

DISTRIBUTION: Area Programs; Regional Accountants (4); DHR Audit Services Section (1); DHR Director of Budget and Analysis; Office of the DHR Controller; Office of State Budget and Management; Office of State Auditor.

PUBLICATION COST: 600 copies of this manual were printed at a cost of \$1,116.00 or \$1.86 per copy by the Division of Mental Health, Developmental Disabilities and Substance Abuse Services.

PUBLICATION DATE: JULY 1, 1995

The North Carolina Department of Human Resources does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental	07/01/95
Disabilities and Substance Abuse Services	
FISCAL MANAGEMENT	Section No. <u>4</u>
	Subsection No. <u>4.2</u>
	Effective <u>07/01/95</u>
SUBJECT: Compliance Audit Reports and	Supersedes <u>10/01/89</u>
Procedures	

PURPOSE: To explain DHR's policy concerning compliance audit requirements for non-profit organizations and for profit organizations receiving State or Federal Financial Assistance, or both, from DHR through contractual agreements with local DHR county agencies and public authorities.

DISCUSSION: This policy pertains to compliance audit requirements and is not meant to address financial audit requirements or applicable procurement standards or both. Regardless of whether a compliance audit is required, DHR will require a financial audit report when audited cost is necessary for financial settlement. The Department may also require a financial audit in other instances when the DHR Controller deems it necessary.

PROCEDURES: The criteria for determining audit compliance requirements and the procedures which shall be followed are as follows:

1. In determining the compliance audit requirements for contract programs, the relationship between the local DHR county agency or public authority and the contract provider must be established. If the relationship is a financial assistance agreement and the contract provider receives \$25,000 or more in any combination of Federal and State funds from the local DHR county agency or public authority, a compliance audit is required. Although private for profit contract agencies are not required to have compliance audits in accordance with A-128 or A-133; it is DHR policy that private for profit contract agencies whose contractual relationship is financial assistance shall have a compliance audit to provide assurance that the entity complied with the requirements of the financial assistance. Financial assistance agreements are payments to contract programs for the purpose of "assisting" the local DHR agency in carrying out a program. The contract provider must be helping the local DHR agency to meet the requirements of the assistance award and, in doing so, would be given

a broad range of authority to carry out the program as if it were the local DHR county agency or public authority.

When other written arrangements with the contract provider exist, in lieu of requiring the contract provider to obtain a compliance audit, the local DHR agency or public authority may contract with an auditor to perform appropriate compliance auditing procedures and issue the appropriate opinions on the contract provider's records.

2. When a local DHR county agency or public authority enters into a purchase of service (procurement) contract to buy goods or services, the other party (service provider) is not required to have a compliance audit in accordance with OMB Circular A-128, OMB Circular A-133 or Departmental policy; however, the local DHR agency must have a compliance review system in place to ensure that the contract provisions are complied with and that the services or goods or both are actually provided. In lieu of operating its own compliance review system, the local DHR agency may contract with a qualified third party to perform appropriate compliance review procedures on the contract provider to determine that the contract provisions are met and that services or goods or both were actually provided.
3. In determining whether a contract is a procurement contract or a financial assistance contract, the relationship between the local DHR agency and the contract provider must be established. If all of the following relationships exist, DHR considers the contract to be a procurement agreement.
 - A. The local DHR agency or public authority is solely responsible for client eligibility and the appropriateness of the service(s) which are to be provided by the contractor.
 - B. The local DHR agency authorizes the services to be provided by the contractor on a client specific basis.
 - C. The services provided by the contractor do not include administrative functions, such as: 1) program evaluation, 2) program planning, 3) monitoring, and 4) development of program standards, procedures and rules, which extend beyond the scope of the direct services authorized by the agreement.

4. The attached guidelines have been developed by the Department of Human Resources to assist area programs in classifying the contractual relationship as financial assistance or purchase of service. The Division Fiscal Officer is available to assist area programs in making this determination in specific circumstances.

Reference: OMB Circular A-128 and A-133, G.S. 143-6.1.

**GUIDELINES FOR DETERMINING IF CONTRACTUAL
RELATIONSHIP IS PURCHASE OF SERVICE OR FINANCIAL
ASSISTANCE**

Indication of
Financial Purchase/
Assistance Service
Yes No

1. Does the contract provider determine client eligibility?
2. Does the contract provider authorize services on a client specific basis?
3. Does the contract provider determine the appropriateness of the services to be provided?
4. Does the contract provider provide administrative functions, such as:
 - a. Program evaluation?
 - b. Program planning?
 - c. Monitoring?
 - d. Develop program standards, procedures and rules?
5. Does the contract provider have responsibility for program compliance?
6. Does the contract provider have to submit a cost report to satisfy a cost reimbursement arrangement?
7. Does the contract provider have any obligation to the funding authority other than the delivery of the specified goods/services?

NO YES

8. Does the contract provider operate in a competitive environment?
9. Does the contract provider provide similar goods and/or services to many different purchasers?
10. Does the contract provider provide the goods and/or services within normal business operations?

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental Disabilities and Substance Abuse Services	07/01/95
FISCAL MANAGEMENT	Section No. <u>4</u>
	Subsection No. <u>4.3</u>
	Effective <u>7/1/95</u>
SUBJECT: Tentative Settlement Report	Supersedes <u>07/01/84</u>

PURPOSE: To provide for the preparation of the Tentative Settlement Report(s) and the procedure by which the Division of Mental Health, Developmental Disabilities and Substance Abuse Services performs year-end settlement with Area Programs.

DISCUSSION: In order for the Division to be in compliance with G.S 122C-147, procedures are established to provide for settlement based on earnings or expenditures..

PROCEDURES:

1. The guidelines for settlement shall be as stated in Volume IV, Section 19 of the Pioneer Funding System Operating Manual for most Division funding; Volume VIII, Section 8 for Thomas S. Service funding; or in the Willie M Unit Cost Reimbursement Plan. Additional settlement requirements, if imposed, shall be stated in the Memorandum of Agreement or subsequent ammendments.
2. The procedures for settlement shall be in accordance with the attached worksheets.
 - A. UCR (Pioneer) funds shall be settled based upon earnings.
 - B. Non-UCR funds shall be settled based upon expenditure.

REFERENCE: G.S. 122C-147

FORMS: See attached.

Tentative Settlement Report - General

For year Ending June 30, 1995

Area Program Name: _____

Prepared by: _____

Completion Date _____

General U.C.R. Funds by Age/Disability							
(A) Pioneer U.C.R. Fund	(B) Amount Received	(C) Revenue Adjustment	(D) TOTAL (B) + (C)	(E) U.C.R. Earnings	(F) LESS: Unallowed Expenditures	(G) Equals NET UCR Earnings	(H) Settlement DUE If (G) < (D)
Child Mental Health			0			0	-
Adult Mental Health			0			0	-
Child Substance Abuse			0			0	-
Adult Substance Abuse			0			0	-
Child Developm'l Disa.			0			0	-
Adult Developm'l Disa.			0			0	-
Totals	0	0	0	0	0	0	0

Special Categorical U.C.R. Funds						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Special Categorical Fund	Fund	Object	FRC	Amount Transferred	Amount Earned	Settlement DUE
Adult Homeless	1291	6319	83			-
Youth Homeless Block Grant	1291	6323	83			-
Preventive Family Resources	1291	6347	93			-
PL 99-457 State	1390	6348	01			-
PL 99-457 Federal - E.H.	1391	6348	50			-
Services to IV Drug Users	1491	6352	81			-
Governor's Prevention	1491	6365	73			-
Treatment Alternatives for Women	1491	6376	81			-
						-

NON-U.C.R. Funds						
(A) Division Fund Title	(B) Fund	(C) Object	(D) FRC	(E) Amount Received	(F) Amount Expended	(G) Settlement DUE
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-
						-

For year Ending June 30, 1995

Prepared by:

Completion DateTSR_95_3.XLS WillieM

Tentative Settlement Report - Willie "M."

For year Ending June 30, 1995

Area Program Name: _____

Prepared by: _____

Completion Date _____

Willie "M" NON-UNIT COST REIMBURSEMENT SETTLEMENT			
List :	Funds Paid	Funds Expended	Over/Under Paid
			-
			-
			-
			-
Totals	0	0	
Total Non-U.C.R. Paid in Excess of Expenditures.....			0

DUE to STATE:	
Total of UCR Paid in Excess of Earnings and Non-UCR Paid in Excess of Expenditures	0

Change in Area Restricted Willie "M" Fund Balance:	
Previous Fund Balance Amount	0
ADD: Earnings Paid In Excess of Expenditures	0
ADD: Settlement For Prior Year(s)	0
	0
= Current Fund Balance	0

Tentative Settlement Report - Thomas "S."

For the Year Ended June 30, 1995

Area Program Name: _____

Prepared by: _____

Completion Date _____

Thomas "S" UNIT COST REIMBURSEMENT SETTLEMENT					
Service	Provider	Division			Per Audit
		Approved Budget	Funds Earned		Approved Budget Funds Expended
Sub-totals		0	0		
					0 0
Less: Adjustment To Allocation				Allocated General & Support	
				Allocated Area Administration	0
SUB-TOTAL EARNINGS			0	Subtotal	0
LESS: State U.C.R. Payments per				LESS Non-Division Revenue	0
= Over (Under) Earned			0	NET EXPENDITURES	0

Thomas "S" NON-UNIT COST REIMBURSEMENT SETTLEMENT			
List :	Funds Paid	Funds Expended	Over/Under Paid
			-
			-
			-
			-
			-
			-
Totals	0	0	
Total Non-U.C.R. Paid in Excess of Expenditures.....			0

DUE to STATE:	
Total of UCR Paid in Excess of Earnings and Non-UCR Paid in Excess of Expenditures	0

Change in Area Restricted Thomas "S" Fund Balance:	
Previous Fund Balance Amount	0
ADD: Settlement for Prior Year(s)	0
ADD: Earnings Paid in Excess of Expenditures	0
	0
= Current Fund Balance	0

IV-A EA

Area Program Name: _____

Prepared by: _____

- 1. Total Value of IV-A EA Services Reported
- 2. Non-Medicaid 1st and 3rd Party Receipts
- 3. Net Value of Services In Excess Of Receipts
- 4. IV-A EA Funds Received
- 5. IV-A EA Received In Excess Of Net Value - Due To Division

0
0

Tentative Settlement Report - Fund Balance

For the Year Ended June 30, 1995

Area Program Name: _____

Prepared by: _____

Completion Date _____

Public / Private Partnership	
Total Public/Private Funds Received	
Total Expended With Contract Agencies for 24-Hour Substance Abuse Services	None

Has Real Property Inventory been received?	Yes / No	Attach List of Changes.
--	----------	-------------------------

If the Area Program has a Fund Balance Limitation, is there documentation as to how the area is in Compliance? (Yes - No - N/A)	
---	--

Calculation of Fund Balance		
Current Assets per Audit Report		
ADD: Receivables from Division NOT included in Audit		0
LESS: Current Liabilities per Audit Report		
ADD: Payback Amounts NOT included in Audit		0
= Fund Balance		0
LESS: Reserve for Encumbrances		
Reserve for Patient Accounts Receivable		
LESS: Allow. for Doubtful Patient Accounts		0
Reserve for Accts Rec'ble from Gov'tl Entities		
Reserve for Inventory		
Reserve for DWI Fees		
Reserve for Drug Education School Fees		
Reserve for Restricted Donations		
Willie "M" Fund Balance		
Thomas "S" Fund Balance		
Restricted Fund Balance Approved by Division		
Other: (List)		
Total Reserves and Restricted Fund Balance Amounts		0
= Unrestricted Fund Balance		0
Currently approved Budget including Expansion Funds		
Allowable 15% of Current Budget (above)		0
Excess Fund Balance Amount		None

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental Disabilities and Substance Abuse Services	07/01/95
FISCAL MANAGEMENT	Section No. <u>6</u>
	Subsection No. _____
SUBJECT: Travel Expense Regulations for Area	Effective <u>07/01/95</u>
Programs and a Suggested Travel	Supersedes <u>02/01/86</u>
Policy	

PURPOSE: To set forth the Division's expectations with regard to travel policies within area programs.

DISCUSSION: Each area program will adopt a standard travel reimbursement policy which will be applied uniformly to all employees of the area program. This policy will be documented in writing and approved by the Area Board. A suggested travel policy is one consistent with the travel policy for the State of North Carolina, Budget Manual, Section 5, Office of State Budget and Management.

PROCEDURES: Division reimbursement will be limited to travel reimbursements made in accordance with the board-approved policy.

REFERENCE: G.S. 122C-112

FORMS: NONE

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental	07/01/95
Disabilities and Substance Abuse Services	

FISCAL MANAGEMENT

Section No. 9

Subsection No. _____

Effective 07/01/95

SUBJECT: Tuition Refund for Local Employees Supersedes 07/01/85

PURPOSE: To establish the limits upon which an area program may reimburse area program employees for tuition expenses with Division funds.

DISCUSSION: The Department of Human Resources was informed by the Office of State Personnel in April, 1979 that the State's Education Assistance Policy, specifically the tuition refund provisions, are applicable to Department of Human Resources employees of local governmental jurisdictions. This does not mean that the area program cannot reimburse area program employees in excess of the State's Educational Assistance Policy; it means that the Division cannot participate fiscally in reimbursement which exceeds the State rate.

PROCEDURES: If an area program elects a policy which is in excess of the State's policy, the area program must maintain subsidiary records to indicate the amount expended not in accordance with the State's policy. If an area program reimburses employees in excess of state rates without maintaining subsidiary records, the total amount of expenditures for tuition will not be eligible for participation with Division funds.

REFERENCE: See attached excerpts from the State Educational Assistance Policy.

FORMS: None

EDUCATIONAL ASSISTANCE PROGRAM

Tuition Assistance

Eligible employees may receive reimbursement for 100% of actual costs of: tuition; registration and laboratory fees. This reimbursement is not to exceed the maximum amount charged within the University of North Carolina system for a similar course. An individual employee may receive assistance for a maximum of four (4) semester courses, or six (6) quarter courses per fiscal year.

Assistance shall not be granted for transportation costs, graduation fees, examination fees, administrative fees, textbooks and supplies.

Assistance from any other financial aid program shall not be duplicated under this program. However, the difference, if any, between such aid and the allowable costs under the state's plan may be reimbursed.

When employees of an educational institution or any other state agency are granted free tuition, the value of this tuition must be considered as part of the allowable tuition assistance.

Exception: Courses Taken at Agency Request

Because of specific high priority skill needs of the agency, employees may be requested by management to take specific courses or degree programs. Under these circumstances, all limitations under the provisions of this policy are waived. All expenses to the individual should be reimbursed, to include: transportation costs; examinations and administrative fees; textbooks and other course materials. (Any books or materials paid for by the agency become the property of the agency.)

The designation, "At Agency Request," can only be determined with the approval of the agency head (at Department Level), or designee.

AREA PROGRAM BUDGETING AND PROCEDURES MANUAL

State of North Carolina
Division of Mental Health, Developmental
Disabilities and Substance Abuse Services
FISCAL MANAGEMENT

APSM 75-1
07-01-95

Section No. 11

Subsection No.

Effective: 07/01/95

Supersedes 07/01/85

SUBJECT: Moving Expense Regulations for Area
Programs

PURPOSE: To set forth Division expectations with regard to moving expense reimbursement within area programs.

DISCUSSION: Each area program will adopt a standard moving expense reimbursement policy which will be applied consistently within the area program. This policy will be documented in writing and approved by the Area Board. A suggested moving expense reimbursement policy is one consistent with the policy for the State of North Carolina, contained in the State Budget Manual, Section Five.

PROCEDURES: Division participation in moving expense reimbursement will be limited to payments made in accordance with the Board approved policy.

REFERENCE: G.S. 122C-112

FORMS: NONE

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental	07/01/95
Disabilities and Substance Abuse Services	
FISCAL MANAGEMENT	Section No. <u>13</u>

Subsection No. _____

Effective 07/01/95

Supersedes 07/01/81

SUBJECT: Exemption of Area Programs from
Payment of Federal Excise Taxes

PURPOSE: To explain area program exemption from payment of federal excise taxes.

DISCUSSION: The Division has received from the United States Internal Revenue Service blanket approval of area program exemption from payment of federal excise taxes. This exemption is for all manufactured goods on which federal excise tax is charged. The manufactured goods that are covered include, but are not limited to, tires, truck accessories, gasoline, and oil.

- PROCEDURES:
1. The exemption for area programs has been granted under registry number 56 80 0087 K. This number must be used in the purchase of all manufactured goods on which federal excise tax is charged in order to obtain exemption.
 2. Provide a copy of the completed exemption certificate (IRS-AT-2019), signed by the person authorized by the Area Board, to all appropriate wholesale and retail suppliers in order to establish exemption status.
 3. In the event that a supplier must obtain credit for excise tax from a distributor or manufacturer, request transmittal of a copy of the exemption certificate to the appropriate distributor or manufacturer.
 4. If goods purchased under the exemption are sold or otherwise transferred for use other than for the area program, the transfer must be reported and tax paid to the Internal Revenue Service by the area program.
 5. If an excise tax exemption number is presently in use by the area program (other than one assigned to the county) the number must be replaced by the registry number 56 80

07/01/95

0087 K. The old number must be canceled by transmittal of the old exemption certificate and a request for cancellation to: IRS Excise/Employment Tax Group, Internal Revenue Service, 320 Federal Place, Greensboro, NC 27401. The requirement for cancellation of present exemption number is that of the Internal Revenue Service. If the area program is presently exempt from federal excise tax through use of the county's exemption, no action need be taken.

REFERENCE: Publication 510, Excise Taxes; Issued by Department of Treasury--
Internal Revenue Service.

FORMS

1. Form 637, Registration for Tax-Free Transactions under Chapter 32 of the Internal Revenue Code.
2. IRS-AT-2019 Exemption Certificate. Copy Attached.

EXEMPTION CERTIFICATE

(For use by States, Territories of the United States, or political subdivisions thereof, or the District of Columbia)

_____, 19____
(Date)

The undersigned hereby certifies that he is _____
(Title of Officer)

of _____
(State, Territory of the United States, or political subdivision thereof, or the District of Columbia)

and that he is authorized to execute this certificate and that the article or articles specified in the accompanying order or on the reverse side hereof, are purchased from _____

(Name of Company)

for the exclusive use of _____
(Government Unit)

of _____ (State,
Territory of the United States or political subdivision thereof, or the District of Columbia)

It is understood that the exemption from tax in the case of sales of article under this exemption certificate to the States, Territories of the United States, etc., is limited to the sale of articles purchased for their EXCLUSIVE USE, and it is agreed that if articles purchased tax-free under this exemption certificate are used otherwise or are sold to employees or others, such fact will be reported and tax paid by me to the District Director of Internal Revenue for the District in which the sale was made.

It is also understood that the fraudulent use of this certificate to secure exemption will subject the undersigned and all guilty parties to a fine of not more than \$10,000.00, or to imprisonment for not more than five years, or both, together with costs of prosecution.

(Signature) _____
(Title of Officer)

Certificate of Registry Number

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental Disabilities and Substance Abuse Services	07/01/95
FISCAL MANAGEMENT	Section No. <u>17</u>
	Subsection No. _____
	Effective <u>07/01/95</u>
SUBJECT: Sales (County and State) and Use Tax Refunds	Supersedes <u>07/01/85</u>

PURPOSE: To explain the procedure for filing for refunds of County and State sales and use tax paid by area programs.

DISCUSSION: The North Carolina Department of Revenue will refund sales and use taxes paid by an area program when claims are properly filed within the prescribed time period.

PROCEDURE: Area programs are entitled to annual refunds of sales and use taxes paid by them via purchases of tangible personal property in the State of North Carolina.

Claims for refund must be filed in accordance with Governmental Sales and Purchases T17:07B .1700 and Refunds: Counties; Cities: T17:07B .1702.

Questions concerning the filing of claims should be directed to:

State of North Carolina
Department of Revenue
Sales and Use Tax Division
P O Box 25000
Raleigh, NC 27640

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental	07/01/95
Disabilities and Substance Abuse Services	
FISCAL MANAGEMENT	Section No. <u>18</u>
	Subsection No. <u></u>
	Effective <u>07/01/95</u>
SUBJECT: Per Diem and Travel Reimbursement	Supersedes <u>07/01/83</u>
for Area Board Members	

PURPOSE: To discuss the amounts and limitations placed by statute on per diem and travel reimbursement for Area Board Members.

DISCUSSION: Area board members may receive as compensation for their services per diem and a subsistence (meals and Lodging) allowance for each day during which they are engaged in the official business of the Board. Rates must be established by the Board and the rates shall not exceed rates authorized by General Statute 138.5, in accordance with General Statutes 122C-120.

PROCEDURE: None

REFERENCE: General Statute 138.5, 122C-120.

FORMS: None

AREA PROGRAM BUDGETING AND PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental	07/01/95
Disabilities and Substance Abuse Services	
FISCAL MANAGEMENT	Section No. <u>20</u>
	Subsection No. _____
SUBJECT: Unallowable Area Program	Effective <u>07/01/95</u>
Expenditures	Supersedes <u>07/01/84</u>

PURPOSE: To explain the types of expenditures that are not allowable as operating expense paid with Division funds in an area program or its subcontractors.

DISCUSSION: There are items of expense that, due to State and/or Federal regulations and policies, cannot be supported with Division funds. Accordingly, Division funds that support operations in area programs must be used in a manner that would comply with the State and/or Federal regulations and policies. Except for the exceptions that may be found under categorical funds, the following is a list of expenditures that are not allowable:

1. Expenditures incurred as a direct result of a fund raising activity. These expenses shall be subtracted from the gross amount raised, with the balance representing profits which would be reported as local revenue.
2. Purchasing flowers or other gifts for employees for special occasions or sickness.
3. Parking expense for employees at place of employment. Parking expense for patients and visitors are allowable.
4. Rent expense for furniture and equipment if it cannot be demonstrated that it is more economical to rent than purchase.
5. Expenditures of unbudgeted funds..
6. Alcoholic beverages, set-ups or entertainment.
7. Coffee and other refreshments or food for employees not in valid travel status.

8. Employee personal expenditures.
9. Employee personal telephone calls.
10. Employee commuting expense.
11. Employee housing allowance, except as may be allowed in accordance with a Board approved moving expense reimbursement policy..
12. Employee living expense while on scholarship.
13. Payrolls of employee(s) not in compliance with Personnel Policies for Local Government Subject to the State Personnel Act.
14. Payrolls of employee(s) not paid according to approved pay plan.
15. Malpractice insurance premiums for coverage in excess of the state tort claim law. The Division will participate in the purchase of coverage up to the amount of the state tort claim law.
16. The Division will participate in expenditures for repairs to existing facilities if these expenditures represent normal upkeep of the facility and do not materially increase the value of the facility or extend its useful life. Expenditures which represent renovations or construction which increases the value of the facility and/or extends its useful life will not receive state participation unless specifically allowed by General Statute. The Division shall determine what constitutes a repair or renovation based on the above criteria. The Division, upon request from the area program, will determine if the proposed expenditure is classified as a repair and maintenance or renovation.

PROCEDURES:

Costs outlined above as not allowable for reimbursement with Division funds shall be omitted from the cost finding prepared in accordance with G.S. 122C-143.2(a) or other rate-setting method, or shall be revenue adjusted as described in Volume IV, Pioneer Funding System Operating Manual.

REFERENCE: G.S. 122C-112

FORMS: N/A

AREA PROGRAM BUDGETING AND PROCEDURES MANUAL

State of North Carolina
Division of Mental Health, Developmental
Disabilities and Substance Abuse Services
FISCAL MANAGEMENT

APSM 75-1
07/01/95

Section No. 21
Subsection No. _____
Effective: 07/01/95

SUBJECT: Fund Balance Policy for Contract Affiliates Supersedes _____

PURPOSE: To explain the Division's requirements regarding fund balance policies for area programs' contract affiliates.

DISCUSSION: Each area program is required to adopt policy regarding the application of year end fund balance rules to its contract affiliates. The board may elect to apply a single fund balance rule or to have different policies for different types of agencies, different contracts or different types of services.

The area board may not adopt a fund balance policy for any contract affiliate which is more restrictive than the fund balance policy applied by the Division to the area authority, e.g., fund balance limitations may only apply to fund balances in excess of fifteen percent (15%).

Each contract must contain a clear statement on the fund balance policy applicable to that contract.

PROCEDURES: Fund balance in this context is defined in accordance with generally accepted accounting principles for government and non profit fund accounting. When applied to a contract affiliate in accordance with board policy, fund balance computations shall be the same as those prescribed in 10 NCAC 14C. .1015.

REFERENCE: G.S. 122C-112

FORMS: NONE

AREA PROGRAM BUDGETING AND PROCEDURES MANUAL

State of North Carolina
Division of Mental Health, Developmental
Disabilities and Substance Abuse Services
FISCAL MANAGEMENT

APSM 75-1

Section No. 22
Subsection No. _____
Effective: 07/01/95
Supersedes _____

SUBJECT: Area Administration Cost Limitation on
Pass-Through Funding

PURPOSE: To explain the Division's requirements regarding retaining a portion of specific appropriations of "Pass-Through" funds for area administration costs.

DISCUSSION: Certain funds appropriated by the General Assembly may be specifically appropriated to be passed through area programs to designated contract affiliates.

Effective with expansion funding appropriated in FY 93-94, area programs may retain the mean area program administration percentage, as published each year by the Division, to cover area program administrative costs. Area programs are prohibited from administering additional charges to affiliate agencies to cover the costs of area administration. This prohibition does not apply, however, to fees that may be charged related to Medicaid billing through the area program or for other specific services which the contract affiliate may wish to purchase from the area program.

PROCEDURES: Each year, as a part of the allocation process, the Division will identify the new appropriations to which this policy applies.

REFERENCE: G.S. 122C-112

FORMS: NONE

AREA PROGRAM BUDGETING PROCEDURES MANUAL

State of North Carolina	APSM 75-1
Division of Mental Health, Developmental Disabilities and Substance Abuse Services	07/01/95
FISCAL MANAGEMENT	Section No. <u>23</u>
	Subsection No. _____
	Effective <u>07/01/95</u>
SUBJECT: Consultation Fees	Supersedes <u>03/01/90</u>

PURPOSE: To establish the Division's requirements for contracting with consultants by area programs receiving Division funds.

DISCUSSION: Each area program shall adopt a written consultant fee policy, including procedures for exceptions if applicable, which will be uniformly applied to all consultants. This policy must include rates and the provisions for payment of travel and subsistence expenses. If the consultant fee is based on an hourly rate, travel time shall not be included as time worked and paid.

Transportation, lodging and meals, at rates which do not exceed area program rates, may be reimbursed if stipulated in the contract.

The sole responsibility of determining if an employee/employer relationship exists is that of the area program. The Division of Personnel Management Services will assist in this determination if needed. The Internal Revenue Service should be contacted if there is any question of whether an employee/employer relationship exists. If an employee/employer relationship exists, the area program must comply with all applicable state and federal personnel and tax requirements.

The following policy is used by the Department of Human Resources. This schedule is provided only as information and reference and is not a requirement. Division participation is limited to the area program's Board-approved policy.

A. Consultant Fees

1. Medical Doctor and Dentist - Up to \$75 per hour
(Services/Training Requiring
M.D. or D.D.S.)

- | | | | |
|----|--|---|---|
| 2. | Other
(Training, consultation or other
not requiring M.D. or D.D.S.
status) | - | Up to \$45 per hour
not to exceed \$225
per day (In excess of
5 hours, daily rates
prevail) |
| 3. | Attorneys | - | Up to \$60 per hour
while providing legal
services. |

REFERENCE: 10 NCAC 14C .1010

FORMS: None

AREA PROGRAM BUDGETING AND PROCEDURES MANUAL

State of North Carolina
Division of Mental Health, Developmental
Disabilities and Substance Abuse Services
FISCAL MANAGEMENT

APSM 75-1

Section No. 25
Subsection No.
Effective 07/01/95
Supersedes 04/01/90

SUBJECT: NCAC (APA) Accounting Rules

NCAC Accounting Rule No.	NCAC Accounting Rule Title	Effective Date of Rule
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(Located in 10 NCAC 14C - Section .1000)

.1001	EFFECT OF THIS SECTION	07/01/95
.1002	ANNUAL PLAN AND BUDGET	07/01/95
.1003	BUDGET FORM	REPEALED
.1004	REPORTS REQUIRED	07/01/95
.1005	ANNUAL AUDIT REPORT	07/01/95
.1006	BUDGET REVISIONS	07/01/95
.1007	CONTRACTS WITH CONSULTANTS	REPEALED
.1008	INVOICES	REPEALED
.1009	CONTRACTS FOR PROFESSIONAL SERVICES	REPEALED
.1010	CONTRACT REQUIREMENTS FOR AREA PROGRAMS	07/01/95
.1011	FUND ROUTING	07/01/95
.1012	DENIAL, DELAY OR REDUCTION OF PAYMENTS	07/01/95
.1013	RECOVERY OF DIVISION FUNDS IN NON-COMPLIANCE SITUATIONS	07/01/95
.1014	EXPENDITURE OF DIVISION FUNDS SETTLED ON AN EXPENDITURE BASIS	07/01/95
.1015	FUND BALANCE: COMPUTATION FOR AREA PROGRAMS AND CONTRACT PROGRAMS	07/01/95
.1016	DISPOSITION OF EQUIPMENT - NON-UCR	07/01/95
.1017		
.1018	START UP FUNDING	07/01/95

NCAC Accounting Rule No.	NCAC Accounting Rule Title	Effective Date of Rule
(Located in 10 NCAC 14C - Section .1100)		
.1101	METHOD OF PAYMENT	07/01/95
.1102	REQUEST FOR FUNDS	07/01/95
.1103	AREA MATCHING FUNDS	REPEALED
.1104	FUNDING GROUP HOMES FOR EMOTIONALLY DISTURBED CHILDREN	REPEALED
.1105	FUNDING EARLY INTERVENTION FOR THE EMOTIONALLY DISTURBED	REPEALED
.1107	COMMUNITY SUBSTANCE ABUSE FUNDS	REPEALED
.1108	ALCOHOL MATCHING FUNDS	REPEALED
.1109	ALCOHOL GRANT-IN-AID FUNDS	REPEALED
.1110	SOUTH CENTRAL REGIONAL ALCOHOLISM PROGRAM FUNDS	07/01/95
.1111	DRUG ABUSE MATCHING FUNDS	07/01/95
.1114	EARLY INTERVENTION - STATE AND FEDERAL	07/01/95
.1115	FUNDING GROUP HOMES FOR DEVELOPMENTALLY DISABLED ADULTS	REPEALED
.1116	FUNDS FOR MR COMPLEXES	REPEALED
.1117	GRANT-IN-AID FOR ADULT DEVELOPMENTAL ACTIVITY PROGRAMS	REPEALED
.1118	SPECIALIZED COMMUNITY-RESIDENTIAL CARE SUBSIDY	REPEALED
.1119	MENTAL RETARDATION COMMUNITY SERVICE FUNDS	REPEALED
.1120	COMMUNITY DEMONSTRATION PROJECT FUNDS	REPEALED
.1121	SOCIAL SERVICE (TITLE XX) BLOCK GRANT FUNDS	REPEALED
.1122	DISABILITIES SERVICES AND FACILITIES CONSTRUCTION ACT FUNDS	REPEALED
.1123	DIVISION FUNDS FOR CAPITAL PROJECTS	07/01/95
.1124	HUGHES FUNDS GRANTS	REPEALED
.1125	FUNDS BALANCE: AREA PROGRAMS/CONTRACT PROGRAMS	REPEALED
.1126	FUNDING GROUP HOMES FOR MENTALLY RETARDED CHILDREN	REPEALED
.1127	GROUP HOMES FOR MR/BEHAVIORALLY DISORDERED PERSONS	REPEALED

NCAC Accounting Rule No.	NCAC Accounting Rule Title	Effective Date of Rule
.1128	APARTMENT LIVING FOR MENTALLY RETARDED ADULTS	REPEALED
.1129	SUBSTITUTE FAMILY CARE	REPEALED
.1130	RESPIRE CARE	REPEALED
.1131	FUNDS FOR COMMUNITY ALCOHOL PROGRAMS IN WESTERN N.C.	REPEALED
.1132	PUBLIC INEBRIATE DECRIMINALIZATION GRANTS	REPEALED
.1133	FUNDING ALCOHOL AND DRUG EDUCATION TRAFFIC SCHOOLS	07/01/95
.1134	FUNDS FOR MULTIDISCIPLINARY EVALUATIONS: GUARDIANSHIP	07/01/95
.1135	FUNDS FOR FORENSIC SCREENING: CAPACITY TO PROCEED TO TRIAL	07/01/95
.1136	FUNDS FOR ASSAULTIVE CHILDREN	07/01/95
.1137	FUNDING DRUG EDUCATION SCHOOLS	07/01/95
.1138	COMMUNITY SUPPORT SERVICES FOR CHRONICALLY MENTALLY ILL	REPEALED
.1139	FUNDS FOR TREATMENT ALTERNATIVES TO STREET CRIME	REPEALED
.1140	COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT	07/01/95
.1141	CONTINUITY OF CARE	REPEALED
.1142	ALLOCATION OF OUTPATIENT COMMITMENT FUNDS	REPEALED
.1143	SOUTH CENTRAL DEINSTITUTIONALIZA- TION PROGRAM FUNDS	REPEALED
.1144	REPLACEMENT OF LOST BLOCK GRANT FUNDS FOR MENTAL HEALTH	REPEALED
.1145	DEVELOPMENTAL DAY CARE GRANTS-IN-AID	REPEALED
.1146	RESIDENTIAL FACILITIES FOR SEVERELY MENTALLY ILL ADULTS	REPEALED
.1147	EARLY INTERVENTION-FEDERAL-EHA	REPEALED
.1148	THOMAS S. COMMUNITY SERVICES	07/01/95
.1149	PATH HOMELESS GRANT	07/01/95
.1150		
.1151	GOVERNOR'S SUBSTANCE ABUSE PREVENTION PROGRAM	07/01/95
.1152	COMMUNITY YOUTH ACTIVITY BLOCK GRANT	REPEALED

NCAC Accounting Rule No.	NCAC Accounting Rule Title	Effective Date of Rule
.1153	CAROLINA ALTERNATIVES	07/01/95
.1154	CLOZAPINE	07/01/95
.1155		
.1156	COMMUNICABLE DISEASE RISK/SERVICES INTRAVENOUS (IV) DRUG USERS	07/01/95
.1157	TREATMENT ALTERNATIVES FOR WOMEN	07/01/95
.1158	UNIT COST REIMBURSEMENT (UCR) CHILD AND ADULT	07/01/95
.1159	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	07/01/95
.1160	TRAUMATIC BRAIN INJURY	07/01/95
.1161	REVOLVING LOAN	07/01/95
.1163	DOMICILIARY CARE	07/01/95
.1164	NON-UNIT COST REIMBURSEMENT	07/01/95

**SECTION .1000 - ACCOUNTING STANDARDS FOR ALL RECIPIENTS OF FUNDS
ADMINISTERED BY THE DIVISION**

.1001 EFFECT OF THIS SECTION

The requirements of this Section shall apply to all area programs and their subrecipient agencies receiving funds administered by the Division and discussed in Section .1100 of this Subchapter.

History Note: Authority G.S. 122C-147.1;
Eff. February 1, 1976;
Amended Eff. February 1, 1996; July 1, 1980.

.1002 MEMORANDUM OF AGREEMENT AND ANNUAL SERVICE PLAN

- (a) The area program shall develop and maintain their annual budget in accordance with G.S. 159.
- (b) The area program shall prepare and submit to the Division the annual service plan and Memorandum of Agreement in accordance with G.S. 122C-143.2.

History Note: Authority G.S. 122C-112; 122C-143.2; 122C-144.1;
Eff. February 1, 1976;
Amended Eff. February 1, 1996; July 1, 1980; April 25, 1979.

.1003 BUDGET FORM

History Note: Authority G.S. 143B-10;
Eff. February 1, 1976;
Amended Eff. November 1, 1977;
Repealed Eff. February 1, 1996.

.1004 REPORTS REQUIRED

The Secretary may require reports in accordance with G.S. 122C-144.1.

History Note: Authority G.S. 122C-112; 122C-144.1;
Eff. February 1, 1976;
Amended Eff. February 1, 1996; July 1, 1980; April 25, 1979; November 1, 1977.

.1005 ANNUAL AUDIT REPORT

Each program receiving funds administered by the Division shall submit an annual audit in accordance with requirements of G.S. 159-34 and the Local Government Commission.

History Note: Authority G.S. 122C-112; 122C-144.1; 159-34;
Eff. February 1, 1976;
Amended Eff. February 1, 1996; April 1, 1990; October 1, 1983; July 1, 1982.

.1006 BUDGET REVISIONS

Revisions to the budget shall be in accordance with G.S. 159-15.

History Note: Authority G.S. 159-15;
Eff. February 1, 1976;
Amended Eff. February 1, 1996; April 1, 1990; February 1, 1986; July 1, 1983.

.1007 CONTRACTS WITH CONSULTANTS

*History Note: Authority G.S. 122C-147;
Eff. February 1, 1976;
Repealed Eff. October 1, 1992.*

.1008 INVOICES

*History Note: Authority G.S. 122C-112; 122C-147;
Eff. February 1, 1976;
Amended Eff. April 25, 1979;
Repealed Eff. February 1, 1996.*

.1009 CONTRACTS FOR PROFESSIONAL SERVICES

*History Note: Authority G.S. 143B-10;
Eff. February 1, 1976;
Amended Eff. July 1, 1980; November 1, 1977;
Repealed Eff. October 1, 1992.*

.1010 CONTRACT REQUIREMENTS FOR AREA PROGRAMS

(a) This Rule shall apply to all contracts between an area program (hereafter referred to as "contractor") and contract providers (hereafter referred to as "contractees"). For purposes of this Rule, contractees include:

- (1) an individual with whom a contract is made for professional services, including consultants and guest speakers; and
- (2) an agency, other than another area program, with whom a contract is made for the provision of services to one or more clients.

(b) The basis for the relationship between the contractor and the for-profit or non-profit contractee is the written contract. All mutual understandings and expectations shall be clearly stated in the contract. All contracts for provision of services to clients, shall contain, at a minimum, the following provisions as indicated in this Rule, except that Subparagraphs (b)(11) and (b) (18) of this Rule shall not apply to contracts with individuals:

- (1) names of the contracting parties;
- (2) beginning and ending dates of the contract period; however, no contract shall extend beyond the fiscal years, except as allowed by G.S. 159;
- (3) description of the services to be provided and the expectations of the parties;
- (4) amount and method of payment;
- (5) address and social security number or IRS identification number of contractee;
- (6) the following statement when a contract period is greater than 30 days: "This contract may be terminated at any time upon mutual consent of both parties or after 30 days upon notice of termination by one of the contracting parties;"
- (7) a statement which indicates that the contract may be terminated immediately with cause upon written notice to the other party; the cause shall be documented in writing to the other party detailing the grounds for termination; and if applicable, the contract may contain a provision indicating method of payment of liquidated damages upon such termination;
- (8) a clause which indicates that the contractor (area) is held harmless from acts committed by the contractee;
- (9) signature of each party to the contract;
- (10) a pre-audit statement in accordance with G.S. 159-28;
- (11) a statement specifying the procedure for budget revisions, if applicable, and provisions for fund balance;
- (12) the procedure for resolving disagreement between the contracting parties;
- (13) for equipment purchased with non unit-cost reimbursement funds, such as start up or special purpose funding, title to assets purchased under the contract in whole or in part rests with the contractor so

- long as that party continues to provide the services which were supported by the contract; if such services are discontinued, disposition of the assets shall occur as approved by the Division;
- (14) client records of the contractee shall be accessible for review for the purpose of monitoring services rendered, financial audits of third party payors, research and evaluation;
 - (15) upon request, the contractee shall provide data about individual clients for research and study to the contractor;
 - (16) the contractor requirement to provide to the contractee all pertinent rules, regulations, standards and other information distributed by the Division necessary for the performance of the contractor under the terms of the contract;
 - (17) the contractor requirement to monitor the contract to assure compliance with rules of the Commission, the Secretary and G.S. 122C-142;
 - (18) a copy of the independent audit referenced in Subparagraph (b)(20) of this Rule, if required, shall be forwarded to the Office of the State Auditor at 300 North Salisbury Street, Raleigh, North Carolina 27603-5903.
 - (19) provisions which outline the responsibility of the contractee for the adoption, assessment, collection and disposition of fees in accordance with G.S. 122C-146;
 - (20) a requirement that the contractee shall make available to the contractor its accounting records for the purpose of audit by State authorities and that the party will, when required by general statute or in accordance with the annual Memorandum of Agreement, have an annual audit by an independent certified public accountant.

(c) Agreements with another area program for provision of services to clients shall be incorporated into the annual Memorandum of Agreement referenced in Rule .1002 of this Section.

History Note: Authority G.S. 122C-112; 122C-141; 122C-142; 122C-146; 143-6.1; 159-40;

Eff. February 1, 1976;

Amended Eff. February 1, 1996; October 1, 1992; February 1, 1986; July 1, 1985.

.1011 FUND ROUTING

(a) Except as authorized by the General Assembly, all funds allocated by the Division for the provision of community mental health, developmental disability and substance abuse services shall be allocated to the area program.

(b) The Division may allocate and contract directly for the provision of non-treatment activities including but not limited to administration, training and prevention.

History Note: Authority G.S. 122C-112; 122C-131; 122C-147.1;

Eff. February 1, 1976;

Amended Eff. February 1, 1996; July 1, 1980; April 25, 1979.

.1012 DENIAL, DELAY OR REDUCTION OF PAYMENTS

The Division may delay, reduce or deny payments to area programs in accordance with G.S. 122C-151.

History Note: Authority G.S. 122C-151;

Eff. February 1, 1976;

Amended Eff. February 1, 1996; April 1, 1990.

.1013 RECOVERY OF DIVISION FUNDS IN NON-COMPLIANCE SITUATIONS

(a) The Division shall review all non-compliance situations occurring in area programs to determine if division funds were involved in the non-compliance situations. Non-compliance situations are those situations or actions that occur which are not in accordance with division, department, state, and federal rules, regulations, or statutes.

(b) The Division's effective rate of participation, shall be determined in accordance with the Memorandum of Agreement.

(c) Division participation in non-compliance situations shall be recovered through receipt of a check or by reducing the current year's payment of allocated division funds otherwise due the area program. The area

program shall reimburse the Division within 60 days of being invoiced or notified of the required payback, unless notification of appeal is rendered by the Area Authority.

(d) If the Director of the area program disagrees with the non-compliance decision, within 60 days of receipt of the notification of non-compliance, the Director of the area program may send to the Division Director a request for appeal pursuant to G.S. 122C-145, and 10 NCAC 1K .0900 (DHR Administrative Standards).

(e) Pending the final agency decision on the appeal of the non-compliance decision, the Division shall not withdraw or reduce the amount of funds due the area program.

History Note: Authority G.S. 122C-112; 122C-147;

Eff. July 1, 1980;

Amended Eff. February 1, 1996; April 1, 1990; July 1, 1984.

.1014 EXPENDITURE OF DIVISION FUNDS SETTLED ON AN EXPENDITURE BASIS

(a) The area programs may budget division funds within cost centers that also include, but are not limited to, local funds, federal funds or other division funds. When area programs elect to budget division funds within a cost center that is settled on an expenditure basis with other funds, funds shall be considered to have been expended in the following order:

- (1) special grants from non-divisional sources that are for reimbursement of the same expenditures as those for which divisional categorical funds are appropriated (examples are grants from the Department of Public Instruction or Division of Youth Services - Community-Based Alternative Funds);
- (2) federal funds from the Division; and
- (3) state funds from the Division. Revenue from non-divisional sources shall be deducted from total cost center expenditures for the purpose of determining the net cost upon which the state share is based.
- (4) Client-earned income, such as payments received from patients or third parties (insurance, Medicare, Medicaid), which is received but not expended shall be retained by the area program.

(b) Settlement of Willie M. and Thomas S. funds shall be in accordance with Rules .1136 and .1148 of this Section, respectively.

History Note: Authority G.S. 122C-112; 122C-147;

Eff. July 1, 1980;

Amended Eff. February 1, 1996; October 1, 1992; April 1, 1990; June 1, 1987.

.1015 FUND BALANCE: COMPUTATION FOR AREA PROGRAMS

(a) In order for the Division to have input into the actions regarding fund balances in area programs, the following shall take place after the certified public accountant's audit report is rendered and the tentative settlement report prepared:

- (1) The fund balance set forth within the annual audit of area programs shall be verified by the Division.
- (2) Since single county area programs are considered a department of the county for budgetary and financial reporting, separate fund balances for the single county area programs are not required. In order to assure that single county area programs are in compliance with the G.S. 122C-146 which states that fees received for services shall not reduce or replace the budgeted commitment of local tax revenue, the Division shall review the utilization of county general funds and the disposition of fees received for service each year.
- (3) To determine the unrestricted fund balance for a multi-county area program or single county area program which maintains a separate fund balance and the percent that it represents to the operating budget, the Division shall use the following format:

Current Assets Per Audit Report	\$
Less: Current Liabilities Per Audit Report	()
Fund Balance	\$
Less: Reserve for Encumbrances	()
Reserve for Patients Accounts Receivable	
Less: Allowance for Doubtful Accounts Patient	

Accounts Receivable	() ()
Reserve for Accounts Receivable from Governmental Entities	()
Reserve for Inventory	()
Reserve for DWI Fees	()
Reserve for Drug Education School Fees	()
Reserve for Restricted Donations	()
Fund Balance Restriction Previously Approved by DMH/DD/SAS	()
Willie "M"	()
Thomas S.	()
Other(List)	()

Unrestricted Fund Balance \$

Currently approved budget including expansion \$

Percent Unrestricted Fund Balance to Current Annual Budget percent

(4) If the unrestricted fund balance is not in excess of 15 percent of the current annual budget, no action is to take place.

(5) If the unrestricted fund balance is over 15 percent of the current annual budget, the Division shall recoup in an amount equal to the fund balance in excess of 15 percent. The area program may request permission from the Division Director to restrict fund balance in excess of the 15 percent limitation for specific purposes.

(b) The amount of reduction of financial support by the division to area programs as referenced in Subparagraph (a)(5) of this Rule may be decreased or delayed or both if, in the opinion of the Division Director, the following circumstances warrant relaxation of this policy:

- (1) past history of fund usage by the area program;
- (2) adequacy of area program funds to meet the needs of the catchment area;
- (3) utilization of funds throughout the fiscal year by the area program;
- (4) unusual or unexpected fiscal events affecting the area program; or
- (5) purpose for which the area program would retain funds.

(c) Any action taken in regard to Paragraph (b) of this Rule shall be documented in writing.

History Note: Authority G.S. 122C-112(a)(6); 122C-144; 122C-146; 122C-147; 143B-10; 159-8;
Eff. February 1, 1996.

.1016 DISPOSITION OF EQUIPMENT - NON UCR

(a) Equipment costing five thousand dollars (\$5,000) or more purchased with non-unit cost reimbursement (UCR) Division funds by an area program or contract provider shall be used for Division funded client services. Except for Willie M and Thomas S. funded purchases, equipment purchased with Division funds may be transferred to other Division funded services if no longer needed by the original service. Willie M and Thomas S. purchased equipment shall be used only for Willie M or Thomas S. clients or disposed of in accordance with Rule .1136 or .1148 of this Subchapter.

(b) Except as stated in Paragraph (c) of this Rule, should transfer of equipment to Division funded services not be possible, the Division shall be contacted by the area program or through the area program for a contract provider for disposition instructions. The Division shall recover the Division's share of the fair market value. The Division's share will be established by the following methods in order of preference.

- (1) Through inventory records which establish the percent of funding for the equipment.
- (2) The Division's percent of participation for the area program for the year of purchase.
- (3) The Division's percent of participation for the area program for the current year.

(c) Equipment which is fully depreciated and no longer has any useful value may be disposed of in accordance with area program policy.

(d) The area program shall have a written procedure stating the equipment disposition policy for contract providers and include or reference this provision in all contracts between the area program and the contract provider.

*History Note: Authority G.S. 122C-147;
Eff. February 1, 1996.*

.1017 START UP FUNDING

(a) The Division may provide funding outside of unit cost reimbursement (UCR) for initial purchases of equipment, supplies and operational expenditures for the establishment of a program, service or facility.

(b) Requests for start up shall be made by the area program, or through the area program in the case of a contract provider, in whose catchment area the new program, service or facility is being established. Requests shall be made in writing to the Division Director or designee and shall include a line item budget and justification.

Requests may include expenses for normal operation such as staff, utilities and rent but such request may not exceed 60 days without specific written authorization from the Division Director or designee. Approvals shall be granted based on availability of funds and merit of request.

*History Note: Authority G.S. 122C-147;
Eff. February 1, 1996.*

.1018 AREA AUTHORITY FINANCIAL FAILURE DEFINED

(a) An area authority shall be deemed to be in imminent danger of failing financially if the Division determines at any time that one or more of the following conditions are met:

- (1) The projected annual expenditures of the area authority exceed the sum of the projected annual revenues and fund balance of the authority and the governing board of the authority has not demonstrated an ability or willingness to take appropriate action to correct the imbalance; or
- (2) The area authority has not complied with the reporting requirements of G.S. 122C-124, as set forth in the annual Memorandum of Agreement between the Division and the area authority.

(b) An area authority shall be deemed to be in imminent danger of failing to provide direct service to clients if it is in imminent danger of failing financially as defined in this Rule.

*History Note: Authority G.S. 122C-125;
Eff. February 1, 1996.*

SECTION .1100 - STATE AND FEDERAL FUNDS ADMINISTERED

.1101 METHOD OF PAYMENT

Payment shall be based on earnings, monthly advancement or other basis as authorized by the Division and stated in the Memorandum of Agreement.

History Note: Authority G.S. 143B-10;

Eff. February 1, 1976;

Amended Eff. February 1, 1996; April 1, 1990; June 7, 1978; November 1, 1977.

.1102 REQUEST FOR FUNDS

A monthly request for funds administered by the Division and paid on a basis other than unit cost earnings shall be on a standard format available from the fiscal services section of the Division. Request shall be submitted to the Fiscal Office as directed by the Division Director.

History Note: Authority G.S. 143B-10;

Eff. February 1, 1976;

Amended Eff. February 1, 1996; November 1, 1977.

.1103 AREA MATCHING FUNDS

History Note: Filed as an Emergency Amendment [(g)] Eff. March 8, 1978, For a Period of 114 Days to Expire on June 30, 1978;

Authority G.S. 122C-112; 122C-149; 143B-10;

Eff. February 1, 1976;

Amended Eff. June 7, 1978; November 1, 1977;

Emergency Amendment [(g)] Expired Eff. June 30, 1978;

Amended Eff. April 1, 1990; July 1, 1984; July 1, 1981; July 1, 1980;

Repealed Eff. February 1, 1996.

.1104 FUNDING GROUP HOMES FOR EMOTIONALLY DISTURBED CHILDREN**.1105 FUNDING EARLY INTERVENTION FOR THE EMOTIONALLY DISTURBED**

History Note: Authority G.S. 122C-112(a)(6); 122C-131; 122C-147; 122C-150; 143B-10;

Eff. February 1, 1976;

Amended Eff. April 1, 1990; February 1, 1986; July 1, 1985; July 1, 1984;

Repealed Eff. February 1, 1996.

.1106 314(d) FUNDS

History Note: Authority G.S. 122-35.38; 122-35.53(g); 42 U.S.C. Section 246(d);

Eff. February 1, 1976;

Amended Eff. October 1, 1979; April 25, 1979; November 1, 1977;

Repealed Eff. July 1, 1983.

.1107 COMMUNITY SUBSTANCE ABUSE FUNDS

History Note: Authority G.S. 122C-112; 122C-147; 143B-10;

Eff. February 1, 1976;

Amended Eff. April 1, 1990; June 1, 1987; July 1, 1985; July 1, 1980;

Repealed Eff. February 1, 1996.

.1108 ALCOHOL MATCHING FUNDS**.1109 ALCOHOL GRANT-IN-AID FUNDS**

History Note: Authority G.S. 143B-147;
Eff. February 1, 1976;
Repealed Eff. November 1, 1977.

.1110 SOUTH CENTRAL REGIONAL ALCOHOLISM PROGRAM FUNDS
.1111 DRUG ABUSE MATCHING FUNDS

History Note: Authority G.S. 122C-112; 122C-113; 122C-147; 122C-150; 122C-181; 143B-10;
Eff. February 1, 1976;
Amended Eff. April 1, 1990; July 1, 1985; July 1, 1981; July 1, 1980;
Repealed Eff. February 1, 1996.

.1112 FEDERAL 409 DRUG ABUSE MATCHING FUNDS
.1113 FEDERAL 410 DRUG TREATMENT FUNDS

History Note: Authority G.S. 122-1; 122-1.2; 122-35.56; 143B-10; 143B-137; 143B-140;
45 C.F.R. Part 74; P.L. 92-255; 21 U.S.C. Section 1176;
Eff. February 1, 1976;
Amended Eff. July 1, 1981; July 1, 1980; June 7, 1978; November 1, 1977;
Repealed Eff. July 1, 1983.

.1114 EARLY INTERVENTION - STATE AND FEDERAL FUNDS

(a) The Division shall administer a program of grants to area programs for early intervention services for children and their families, in accordance with Part H of the Individuals with Disabilities Education Act (IDEA).

(b) Funds may be used for any periodic or day/night service that is identified as needed in the Individualized Family Service Plan (IFSP) within the following guidelines:

- (1) children served shall be those with developmental delays, atypical development or those at risk for these conditions as defined in 10 NCAC 14K .0103.
- (2) with the federal early intervention funds, children served shall be from birth through two years of age and their families.
- (3) with state early intervention funds, children served shall be from birth through two years of age except that:
 - (A) services may continue until the start of the next school year for children who turn three during the course of the school year, and
 - (B) three and four year olds may be served during the summer and during the school year in before/after school programs.
- (4) funds shall be used to supplement and increase services for these children and may not be used to supplant other federal, other state or local funds.

History Note: Authority G.S. 122C-112(a)(6); 122C-131; 122C-150; U.S.C. 1471 Part IDEA;
Eff. February 1, 1976;
Amended Eff. February 1, 1996; April 1, 1988; February 1, 1986; July 1, 1985.

.1115 FUNDING GROUP HOMES FOR DEVELOPMENTALLY DISABLED ADULTS
.1116 FUNDS FOR MENTAL RETARDATION COMPLEXES
.1117 GRANT-IN-AID FOR ADULT DEVELOPMENTAL ACTIVITY PROGRAMS
.1118 SPECIALIZED COMMUNITY-RESIDENTIAL CARE SUBSIDY
.1119 MENTAL RETARDATION COMMUNITY SERVICE FUNDS
.1120 COMMUNITY DEMONSTRATION PROJECT FUNDS
.1121 SOCIAL SERVICE (TITLE XX) BLOCK GRANT FUNDS

History Note: Authority G.S. 122C-51; 122C-112; 122C-112(a)(6), (11); 122C-131; 122C-141; 122C-147; 122C-150; 122C-151; 143B-10; 42 U.S.C. Section 1397-1397f;
Eff. February 1, 1976;
Filed as a Temporary Amendment (Rule .1117) Eff. October 13, 1987, for a Period of 180 Days to Expire on April 11, 1988;
Amended Eff. April 1, 1993; November 2, 1992; October 1, 1990; April 1, 1990;
Repealed Eff. February 1, 1996.

.1122 DISABILITIES SERVICES AND FACILITIES CONSTRUCTION ACT FUNDS

History Note: Authority G.S. 122-1; 122-1.2; 143B-10(j)(3); 143B-137;
Eff. February 1, 1976;
Amended Eff. April 25, 1979;
Repealed Eff. July 1, 1980.

.1123 DIVISION FUNDS FOR CAPITAL PROJECTS

(a) When capital funds are specifically appropriated by the General Assembly, the Division shall allocate funds for area program capital projects. Such allocations shall be in accordance with the language and intent of the appropriation. Instructions for capital applications and payment of funds shall be issued by the division subsequent to any such specific appropriation.

(b) An area program may request to use state non-unit cost reimbursement (UCR) funds, Willie M. or Thomas S. funds, or to transfer state operating funds outside the regular, Willie M. and Thomas S. unit cost reimbursement systems for capital costs for itself, its non-profit contract agency, or another governmental entity. The following procedures shall be followed:

- (1) Approval for purchase, alteration, improvement or rehabilitation of real estate held in the name of the area program or purchase, alteration, improvement, or rehabilitation of real estate or lump sum down payment or periodic payments on a real property mortgage in the name of a private, non-profit corporation or another governmental entity under contract to the area program, which cost under five thousand dollars (\$5,000) is delegated to the area director.
- (2) Approval for purchase, alteration, improvement or rehabilitation of real estate held in the name of the area program or purchase, alteration, improvement, or rehabilitation of real estate or lump sum down payment or periodic payments on a real property mortgage in the name of a private, non-profit corporation or another governmental entity under contract to the area program which cost five thousand dollars (\$5,000) or over shall be based upon submission of an application by the area program to the Division Director or designee. Such application shall be in a format prescribed by the Division and may include the following:
 - (A) name of applicant;
 - (B) address of applicant;
 - (C) the name and type of proposed or existing facility and its location;
 - (D) the purpose of request, whether new construction, purchase of an existing structure, alteration, improvement or rehabilitation of an existing facility;
 - (E) a statement of the need for the facility or alteration, improvement or rehabilitation;
 - (F) description of the programs conducted or to be conducted in the facility;
 - (G) target date for project completion;
 - (H) an estimated construction budget and projected revenue sources;
 - (I) a statement indicating whether or not additional Division funds will be required for operating costs. If this question is answered yes, the application shall indicate the estimated additional operating funds required and the proposed funding source;
 - (J) the name and telephone number of the area program representative designated as contact for the application; and
 - (K) two property appraisals completed by licensed property appraisers for costs associated with the purchase of an existing building, lump sum down payments and period payments on the mortgage of real property.
- (3) Funds approved for capital projects under Paragraph (b) of this Rule shall be paid in the following manner:
 - (A) Funds approved under Subparagraph (b)(1) of this Rule shall be requested by the area program using regular fund request procedures as funds are needed.

- (B) Funds approved under Subparagraph (b)(2) of this Rule shall be requested in the following manner:
- (i) if funds are to be utilized for the purchase of a facility, the necessary funds may be requested within 30 days from when they are needed via a written request from the Area Director to the Division Director or designee. The request shall specify the amount of funds needed and the projected closing date of the purchase.
 - (ii) if funds are to be utilized for the construction of a new facility or renovation, rehabilitation or alteration of an existing facility, funds will be disbursed based upon written requests from the Area Director to the Division Director or designee certifying project completion at the following intervals: 10%, 25%, 50%, 75% and 100%. Upon receipt of such billings, the Division shall issue payment consistent with the percentage completed.
- (4) All aspects of any capital project shall be completed in accordance with all applicable federal, State and local regulations. Such compliance shall include, but not be limited to, G.S. 159 requirements, Division of Facility Services licensure regulations, and local building ordinances.
 - (5) The area program shall maintain a perpetual inventory of all facilities purchased, constructed, altered, renovated or rehabilitated in accordance with this Rule. This inventory shall document the history cost of the facility plus subsequent improvements and the percentage of Division participation in the total cost.
 - (6) Should the facility cease to be used for the purpose of serving clients of the Division, or, more specifically for the purpose of serving Willie M. or Thomas S. clients if the purchase, construction, rehabilitation, alteration or improvement was funded from those specific funding sources, the Division shall be contacted immediately for disposition instructions. If the Division so directs, the facility shall be sold at the current fair market value in accordance with G.S. 153A-176 and G.S. 160A-266. After the sale, the Division shall be reimbursed the Division's pro-rata share of the proceeds from the sale based on the percent of contribution made by the Division for the purchase, construction, alteration, improvement or rehabilitation of the sold facility. If an area program or its contract provider wishes to maintain ownership of a facility that was constructed, purchased, altered, improved or rehabilitated using Division funds, the area program or non-profit contract provider may, if authorized by the Division, pay to the Division the Division's pro-rata share of the current fair market value of the facility as determined by two independent appraisals acceptable to the Division.

History Note: Authority G.S. 122C-112; 122C-113;
 Eff. November 1, 1977;
 Amended Eff. February 1, 1996; April 1, 1990; July 1, 1980; April 25, 1979.

.1124 HUGHES FUNDS GRANTS

History Note: Authority G.S. 122-1; 122-1.2; 122-35.56; 143B-10; 143B-137; 143B-140;
 Eff. June 7, 1978;
 Amended Eff. July 1, 1980;
 Repealed Eff. July 1, 1983.

.1125 FUND BALANCE: AREA PROGRAMS/CONTRACT PROGRAMS

History Note: Authority G.S. 122C-112(a)(6); 122C-144; 122C-146; 122C-147; 143B-10; 159-8;
 Eff. June 7, 1978;
 Amended Eff. June 1, 1987; February 1, 1986; March 1, 1985; July 1, 1984;
 Repealed Eff. February 1, 1996.

- .1126 FUNDING GROUP HOMES FOR MENTALLY RETARDED CHILDREN**
- .1127 GROUP HOMES FOR MR/BEHAVIORALLY DISORDERED PERSONS**
- .1128 APARTMENT LIVING FOR MENTALLY RETARDED ADULTS**
- .1129 SUBSTITUTE FAMILY CARE**
- .1130 RESPITE CARE**
- .1131 FUNDS FOR COMMUNITY ALCOHOL PROGRAMS IN WESTERN N.C.**

History Note: Authority G.S. 122C-112(a)(6); 122C-147;
Eff. October 1, 1979;
Amended Eff. April 1, 1990; June 1, 1988; February 1, 1986; July 1, 1984;
Repealed Eff. February 1, 1996.

.1132 PUBLIC INEBRIATE DECRIMINALIZATION GRANTS

History Note: Authority G.S. 122-1; 122-1.2; 122-35.38; 122-35.53; 122-35.56;
Eff. February 25, 1980;
Repealed Eff. July 1, 1985.

.1133 FUNDING ALCOHOL AND DRUG EDUCATION TRAFFIC SCHOOLS

(a) Pursuant to G.S. 20-179.2 the Department of Human Resources shall have the authority to approve programs, budgets and contracts with public and private governmental and non-governmental bodies for alcohol and drug education traffic schools operated by an area program or operated by a contractor through a contract with an area program.

(b) Fees paid by persons enrolling in an alcohol and drug education traffic school established pursuant to G.S. 20-179.2 shall be used to support the schools except as indicated in (e) of this Rule. Other funds to support the schools may come from multiple sources such as, but not limited to, county general funds, state appropriations, federal appropriations, and receipts for services (patient fees). This Rule is established to set accounting requirements for the fees received pursuant to G.S. 20-179.2.

(c) Fees received pursuant to G.S. 20-179.2 shall be limited to purchases of the following:

- (1) to rent or lease space to conduct alcohol and drug education traffic school classes if sufficient space is not available in area program facilities;
- (2) personnel and support costs necessary to assure a systematic and timely processing of referrals to alcohol and drug education traffic schools;
- (3) supplies and materials necessary for the efficient and timely operation, evaluation and administration of alcohol and drug education traffic schools and for developing and maintaining an efficient liaison process with the judicial system, interested community groups, the Division of Motor Vehicles and the Department of Human Resources;
- (4) non-administrative equipment necessary for the operation of alcohol and drug education traffic schools;
- (5) administrative equipment for alcohol and drug education traffic school personnel employed full-time and a pro-rated amount for personnel assigned less than one hundred percent of the time to traffic schools;
- (6) renovations that do not result in the acquisition of real property by the area program;
- (7) travel;
- (8) area program administrative costs that can be documented as chargeable to the schools; and
- (9) other necessary operating expenses as approved by the Division.

(d) Fees received pursuant to G.S. 20-179.2 shall not be used for acquisition of real property by the area program.

(e) Fees received pursuant to G.S. 20-179.2 shall be used to support the operation, evaluation and administration of the alcohol and drug education traffic schools. Any excess fees received pursuant to G.S. 20-179.2 shall be used to continue or to expand alcohol and drug services.

(f) Fees received pursuant to G.S. 20-179.2 shall not be used in any manner to match state or division funds or to be included in any computation for state or division formula funded allocations.

(g) Fees received pursuant to G.S. 20-179.2 shall be consistently identified as such. All such fees remaining at the end of the area program's fiscal year shall retain their identity and the fund balance of the area program shall be so restricted as to assure continued use of the fees for the alcohol and drug education traffic schools or to continue or to expand other alcohol and drug abuse services.

(h) Area programs shall maintain records which indicate which individuals have paid for the traffic schools.

(i) Pursuant to G.S. 20-179.2, area programs shall receive fees from either the person convicted or from the judiciary. The individual enrolled in the school shall pay the fee to the area program providing the school, except that if the clerk of court in the county in which the person is convicted agrees to collect the fees, the clerk shall collect all fees for persons convicted in that county. The clerk shall pay the fees collected to the area program serving the catchment area in which the clerk is located regardless of where the defendant attends the school.

(j) Area programs receiving fees from the judiciary for individuals who will be enrolled in schools operated by other area programs shall transfer 80 percent of the fees received from the judiciary for those individuals to the

area programs enrolling the individuals upon receipt of an invoice. The 80 percent shall be transferred to the area program providing the school regardless of whether the individual attends the school.

(k) Area programs receiving fees directly from an individual who has been convicted in a county outside the area program's catchment area shall transfer 15 percent of the fees collected to the area program which serves the county where the individual was convicted upon receipt of an invoice from the area program serving the county where the conviction occurred. Any area program not desiring to collect the 15 percent from another area program is not required to invoice that program. A decision not to collect the 15 percent shall be approved by the area board and documented in the board minutes. An area program that does not desire to invoice another area program shall honor invoices presented to it from other area programs that desire to collect the 15 percent.

(l) Five percent of all fees received by the area program pursuant to G.S. 20-179.2 shall be forwarded to the Department of Human Resources on a monthly basis. The area program that initially receives the fees from the persons paying the fees or from the judiciary system shall be responsible for transferring the 5 percent to the Department. Checks shall be made payable to and sent to: Division of Mental Health, Developmental Disabilities and Substance Abuse Services, Fiscal Services Section, Suite 612, 325 North Salisbury Street, Raleigh, North Carolina 27603-5906.

(m) The amount of fees transferred to another area program or to the Division as indicated in (j) through (l) of this Rule shall be recorded in the accounting records to TRANSFER OF DUI FEES. Under no circumstances shall the transfer of fees be recorded as an operating expense in which the Division would participate.

History Note: Authority G.S. 20-179.2; 122C-143; 143B-10;
Eff. April 21, 1980;
Amended Eff. February 1, 1996; December 1, 1981; July 1, 1981.

.1134 FUNDS FOR MULTIDISCIPLINARY EVALUATIONS: GUARDIANSHIP

(a) To the extent state funds are available, the division shall provide reimbursement for court-ordered multidisciplinary evaluations of indigent persons in guardianship procedures under G.S. 35A-116.

(b) Area programs, other local agencies and private practitioners are eligible for reimbursement.

(c) To obtain reimbursement the area program, other local agencies or private practitioners shall submit to the Division Fiscal Office the following:

(1) two copies of an itemized invoice which reflects the following:

- (A) name of respondent evaluated,
- (B) name of the evaluator for each respondent,
- (C) amount of time in hours or portion thereof required for each evaluation and report preparation,
- (D) rate per hour for each evaluation, and
- (E) dollar amount for each evaluation.

(2) one copy of the individual court order. The court order shall be attached to the invoice.

(d) Determining Rate Per Hour.

- (1) For area programs, the rate per hour required on the invoice under Part (c)(1)(D) of this Rule shall be the usual and customary charges of the area program before adjustment to the sliding fee scale.
- (2) For providers other than area programs the rate per hour shall be the usual and customary charge or their Medicaid reimbursement rate whichever is less.

(e) The procedures in this Rule apply only to reimbursement for evaluations to determine the necessity of appointing a guardian for an individual and do not apply to reimbursement for any treatment determined to be necessary as a result of the evaluation.

History Note: Authority G.S. 122C-147.1; 143B-10;
Eff. July 1, 1981;
Amended Eff. February 1, 1996; April 1, 1990.

.1135 FUNDS FOR FORENSIC SCREENING: CAPACITY TO PROCEED TO TRIAL

(a) To the extent state funds are available, the division shall provide reimbursement for court-ordered screening and evaluation of persons to determine their capacity to proceed to trial.

(b) The screening or evaluation shall be performed by a qualified mental health professional or a qualified substance abuse professional who is registered with the Division as a forensic evaluator or a person deemed a medical expert by the court.

(c) Only area programs are eligible for reimbursement.

(d) To obtain reimbursement the area program shall submit to the Division Fiscal Office the following:

- (1) two copies of an itemized invoice which reflects the following:
 - (A) name of respondent screened or evaluated;
 - (B) name of certified forensic evaluator for each respondent;
 - (C) amount of time in hours or portion thereof required for each screening examination or evaluation;
 - (D) rate per hour for each examination or evaluation; and
 - (E) dollar amount for each examination or evaluation.
 - (2) one copy of the individual court order. The court order shall be attached to the invoice.
- (e) The rate per hour for each forensic evaluator required on the invoice under (d)(1)(D) of this Rule shall be the usual and customary charges of the area program before adjustment to the sliding fee scale. The amount invoiced to the division shall not exceed the rate approved by the Division.
- (f) The procedures of this Rule apply only to reimbursement for screening examinations or evaluations to determine the capacity of an individual to proceed to trial and do not apply to reimbursement for any treatment determined to be necessary as a result of the evaluation.

History Note: Authority G.S. 122C-147.1; 143B-10;
Eff. July 1, 1981;
Amended Eff. February 1, 1996; October 1, 1990; April 1, 1990.

.1136 FUNDS FOR ASSAULTIVE CHILDREN

(a) In furtherance of the Appropriation Bill of the 1981 Session Laws, Chapter 859 and Chapter 1032, the Division shall administer funds to provide treatment to children under the age of 18 who suffer from emotional, mental, or neurological handicaps accompanied by violent or assaultive behavior and who have been certified as Willie M. class members in the case of Willie M., et. al. vs. Hunt et. al. The focus of these programs may include, but are not limited to, residential treatment programs and independent living arrangements.

(b) Programs operated by an area program or a private program contracted by the area program may spend funds for assaultive children for the following:

- (1) staffing;
- (2) travel;
- (3) supplies;
- (4) utilities;
- (5) administrative and program equipment;
- (6) administrative cost which can be clearly documented through direct assignment or a Division-approved cost allocation method;
- (7) transportation of clients;
- (8) other program costs as approved by the Division; and
- (9) purchase, construction, alteration, improvement, or repair of a facility owned by the area program or county or non-profit contract agency according to the provisions of Rule .1123 of this Section.

(c) Funds provided by the Division to support the services provided to a Willie M. program shall be discontinued if the program fails to serve any Willie M. clients.

(d) Funds for assaultive children shall not be used in specific programs to serve children who are not Willie M. class members if any class member who is in that zone and who is appropriate for the specific program being funded remains unserved. The zones within the state shall be determined by the Division. Funds shall not be expended for any program that does not serve Willie M. class members. Funds shall not be used to start or operate a service in its entirety which serves a disproportionately small number of Willie M. clients. The Division shall negotiate the minimum number of Willie M. children who shall be served in each program and shall specify that number in the grant award notice.

(e) Funds for assaultive children may be used to support the cost of treatment for members of the Willie M. class who attain the age of eighteen if the member continues to be in need of such treatment and will benefit from continued placement or involvement in the program. However, such support shall not be in excess of six months following the class member's 18th birthday or the end of the fiscal year in which the class member reaches 18 years of age, whichever comes later.

(f) The annual budget for programs serving Willie M. clients shall be submitted in accordance with the Willie M. Unit Cost Reimbursement Plan for the fiscal year.

(g) The annual budget for programs serving Willie M. clients shall be budgeted into separate cost centers. Such cost centers shall include all sources of revenue which support the direct cost of services for Willie M. clients. Funds expended for services to Willie M. clients such as outpatient visits, emergency services, or case management services may be budgeted within the area program cost center which provides that service if the area

program maintains sufficient statistical data to indicate the service provided to the Willie M. client and the cost of the service.

(h) The area program shall provide financial and statistical reports regarding funds for assaultive children to the Division according to instructions of the Division.

(i) The limitation on the number of inpatient days as contained in 10 NCAC 14D .0006(a)(1)(C); USE OF DIVISION FUNDS FOR INPATIENT SERVICES; shall not apply to Funds for Assaultive Children.

History Note: Authority G.S. 122C-147; 122C-150;

Eff. January 1, 1982;

Amended Eff. February 1, 1996; April 1, 1990; October 1, 1983; November 1, 1982.

.1137 FUNDING DRUG EDUCATION SCHOOLS

(a) Pursuant to G.S. 90-96.01 the Department of Human Resources shall have the authority to approve programs, budgets and contracts with public and private governmental and nongovernmental bodies for drug education schools operated by an area program or operated by a contractor through a contract with an area program.

(b) Fees paid by persons enrolling in a drug education school established pursuant to G.S. 90-96.01 shall be used to support the schools except as indicated in Paragraph (e) of this Rule. Other funds to support the schools may come from multiple sources such as, but not limited to, county general funds, state appropriations, federal appropriations, and receipts for services (patient fees). This Rule is established to set accounting requirements for the fees received pursuant to G.S. 90-96.01.

(c) Fees received pursuant to G.S. 90-96.01 shall be limited to purchases of the following:

- (1) to rent or lease space to conduct drug education school classes if sufficient space is not available in area program facilities;
- (2) personnel and support costs necessary to assure a systematic and timely processing of referrals to drug education schools;
- (3) supplies and materials necessary for the efficient and timely operation, evaluation and administration of drug education schools and for developing and maintaining an efficient liaison process with the judicial system, interested community groups, and the Department of Human Resources;
- (4) non-administrative equipment necessary for the operation of drug education schools;
- (5) administrative equipment for drug education school personnel employed full-time and a pro-rated amount for personnel assigned less than 100 percent of the time to drug education schools;
- (6) renovations that do not result in the acquisition of real property by the area program;
- (7) travel required for the effective operation of the drug education schools;
- (8) area program administrative costs that can be documented as chargeable to the schools; and
- (9) other necessary operating expenses as approved by the Division.

(d) Fees received pursuant to G.S. 90-96.01 shall not be used for acquisition of real property by the area program.

(e) Fees received pursuant to G.S. 90-96.01 shall be used to support the operation, evaluation and administration of the drug education schools. Any excess fees received pursuant to G.S. 90-96.01 shall be used to continue or to expand alcohol and drug services.

(f) Fees received pursuant to G.S. 90-96.01 shall not be used in any manner to match state or division funds or to be included in any computation for state or division formula funded allocations.

(g) Fees received pursuant to G.S. 90-96.01 shall be consistently identified as such. All such fees remaining at the end of the area program's fiscal year shall retain their identity and the fund balance of the area program shall be so restricted as to assure continued use of the fees for the drug education schools or to continue or to expand other alcohol and drug abuse services.

(h) Area programs shall maintain records which indicate which individuals have paid for the drug education schools.

(i) Pursuant to G.S. 90-96.01, area programs shall receive fees from either the person enrolled in the class or from the judiciary. The individual enrolled in the school shall pay the fee to the area program providing the school, except that if the clerk of court in the county in which the person is sentenced agrees to collect the fees, the clerk shall collect all fees for persons sentenced in that county. The clerk shall pay the fees collected to the area program serving the catchment area in which the clerk is located regardless of where the person attends the school.

(j) Area programs receiving fees from the judiciary for individuals who will be enrolled in schools operated by other area programs shall transfer 80 percent of the fees received from the judiciary for those individuals to the

area programs enrolling the individuals upon receipt of an invoice. The 80 percent shall be transferred to the area program providing the school regardless of whether the individual attends the school.

(k) Area programs receiving fees directly from an individual who has been sentenced in a county outside the area program's catchment area shall transfer 15 percent of the fees collected to the area program which serves the county where the individual was sentenced upon receipt of an invoice from the area program serving the county where the sentencing occurred. Any area program not desiring to collect the 15 percent from another area program is not required to invoice that program. A decision not to collect the 15 percent shall be approved by the area board and documented in the board minutes. An area program that does not desire to invoice another area program shall honor invoices presented to it from other area programs that desire to collect the 15 percent.

(l) Five percent of all fees received by the area program pursuant to G.S. 90-96.01 shall be forwarded to the Division of MH/DD/SAS on a monthly basis. The check for 5 percent of the fees received shall be accompanied by a transmittal indicating from whom the fees were received. The area program that initially receives the fees from the persons paying the fees or from the judiciary system shall be responsible for transferring the 5 percent to the Division. Checks shall be made payable to and sent to: Division of Mental Health, Developmental Disabilities and Substance Abuse Services, Fiscal Services Section, Suite 612, 325 North Salisbury Street, Raleigh, North Carolina 27603-5906.

(m) The amount of fees transferred to another area program or to the division as indicated in (j) through (l) of this Rule shall be recorded in the accounting records as transfer of DES Fees. Under no circumstances shall the transfer of fees be recorded as an operating expense in which the Division would participate.

(n) In order to secure approval of the program and budget supported by fees received pursuant to G.S. 90-96.01, the area program shall include the programmatic and budgetary data in the annual plan of work submitted to the Division each fiscal year.

History Note: Authority G.S. 90-96.01; 122C-132; 122C-143;

Eff. July 1, 1982;

Amended Eff. February 1, 1996; October 1, 1982.

.1138 COMMUNITY SUPPORT SERVICES FOR CHRONICALLY MENTALLY ILL

.1139 FUNDS FOR TREATMENT ALTERNATIVES TO STREET CRIME

History Note: Authority G.S. 122C-112(a)(6); 122C-132; 122C-143; 122C-147; 122C-50;

S.L. 1981 C. 1007;

Eff. July 1, 1982;

Amended Eff. April 1, 1990; June 1, 1987; July 1, 1985;

Repealed Eff. February 1, 1996.

.1140 COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT

(a) The Division shall administer a grant program for the federal Community Mental Health Services Block Grant which is made available to the Division under the authority of Public Law 102-321.

(b) The appropriate portion of funds which are made available to the Division for Community mental health services shall be made available to eligible programs. The purpose of these funds is to provide comprehensive community mental health services to adults with a serious mental illness and to children with a serious emotional disturbance who meet the unit cost reimbursement (UCR) criteria for Level 1 or Level 2.

(c) The mental health services shall be provided within the limits of the capacity of the area program, to any individual residing or employed in the service area of the center, regardless of ability to pay for such services, in a manner which preserves human dignity and assures continuity and high quality care.

(d) Funds shall not be expended for any of the following uses:

- (1) to provide inpatient services,
- (2) to make cash payments to clients,
- (3) to purchase or improve land; purchase, construct or permanently improve any building or other facility; or purchase major medical equipment,
- (4) to satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds,
- (5) to provide assistance to any entity other than a public or nonprofit private entity ,or
- (6) to support any individual salary in excess of one hundred twenty five thousand dollars (\$125,000).

(e) The Division Director shall allocate annually funds to the area programs.

(f) Block grant funds allocated shall be used to supplement and increase the level of state, local, and other non-federal funds and shall, in no event, supplant such state, local, and other non-federal funds. The Division shall monitor compliance by comparing total budgeted revenues for the current fiscal year with those budgeted for the prior fiscal year for each area program exclusive of block grant funds. If block grant funds are reduced, the area program may reduce its participation in a proportionate manner.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-144.1; 122C-147; 122C-147.1; 122C-147.2; P.L. 102-321;
Eff. October 1, 1982;
Amended Eff. February 1, 1996; April 1, 1990; July 1, 1983.

.1141 CONTINUITY OF CARE

History Note: Authority G.S. 122C-132; 122C-147;
Eff. October 1, 1983;
Amended Eff. April 1, 1990;
Repealed Eff. February 1, 1996.

.1142 ALLOCATION OF OUTPATIENT COMMITMENT FUNDS

History Note: Authority G.S. 122C-112(a)(6); 122C-147; 122C-271; S.L. 1983, C. 864;
Eff. April 1, 1984;
Amended Eff. June 1, 1987; February 1, 1986;
Repealed Eff. February 1, 1996.

.1143 SOUTH CENTRAL DEINSTITUTIONALIZATION PROGRAM FUNDS

.1144 REPLACEMENT OF LOST BLOCK GRANT FUNDS FOR MENTAL HEALTH

History Note: Authority G.S. 122C-112; 122C-112(a)(6); 122C-147; 122C-50; S.L. 1983, 761, Section 28;
Eff. July 1, 1984.
Amended Eff. April 1, 1990; July 1, 1985;
Repealed Eff. February 1, 1996.

.1145 DEVELOPMENTAL DAY CARE GRANTS-IN-AID

History Note: Authority G.S. 122C-112(a)(6); 122C-131; 122C-147;
Eff. July 1, 1985;
Amended Eff. October 1, 1990; April 1, 1990; December 1, 1987; February 1, 1986;
Repealed Eff. February 1, 1996.

.1146 RESIDENTIAL FACILITIES FOR SEVERELY MENTALLY ILL ADULTS

History Note: Authority G.S. 122C-112(a)(6); 122C-141; 122C-147; 122C-150; 143B-10;
Eff. June 1, 1987;
Amended Eff. April 1, 1990; March 1, 1989;
Repealed Eff. February 1, 1996.

.1147 EARLY INTERVENTION-FEDERAL-EHA

History Note: Authority G.S. 122C-112(a)(6); 122C-131; 122C-150; 20 U.S.C. 1471;
Eff. October 1, 1990;
Repealed Eff. February 1, 1996.

.1148 THOMAS S. COMMUNITY SERVICES

(a) Funds appropriated to the Division for members of the Thomas S. Class as identified in the Thomas S., et al v. Britt, formerly Thomas S., et al v. Flaherty lawsuit, shall be expended only for programs serving Thomas S. Class members or for services for those clients who are:

- (1) adults with mental retardation, or who have been treated as if they had mental retardation, who were admitted to a state psychiatric hospital on or after March 22, 1984, and who are included on the Division of Mental Health, Developmental Disabilities and Substance Abuse Services' official list of prospective class members including focus class members; or
 - (2) adults with mental retardation who:
 - (A) have a documented history of State psychiatric hospital admission regardless of admission date; or
 - (B) have never been admitted to a State psychiatric hospital but who have a documented history of behavior determined to be of danger to self or others that results in referrals for inpatient psychiatric treatment; and
 - (C) without funding support, have good probability of being admitted to a State psychiatric hospital. Expenditures for services to clients listed in Subparagraph (a)(2) of this Rule are limited by legislation and require specific approval by the Division.
- (b) Programs operated by an area program or a program contracted by the area program or a provider under direct contract with the Division to provide may spend funds for Thomas S. Services funds for the following:
- (1) facility rental;
 - (2) utilities;
 - (3) staffing;
 - (4) supplies;
 - (5) travel;
 - (6) rental and purchase of administrative and program equipment according to the following provisions:
 - (A) equipment is defined as purchases costing five hundred dollars (\$500) or more and having a useful life of at least one year;
 - (B) all equipment purchased with Thomas S. Service funds shall be inventoried and identified as Thomas S. equipment and shall be used for Thomas S. services;
 - (C) equipment may be held in the name of a contract provider with the stipulation that if the equipment ceases to be used to provide services to Thomas S. clients, ownership shall revert to the contracting area program who shall then contact the Division for disposition instructions;
 - (D) the Division shall be notified whenever equipment purchased with Thomas S. Service funds ceases to be used to provide services to Thomas S. Clients for 45 consecutive days; and
 - (E) the disposition of equipment purchased with Thomas S. funds shall require Division approval;
 - (7) administrative cost which can be documented as Thomas S. administrative costs through direct assignment or Division approved cost allocation methodology;
 - (8) transportation of clients;
 - (9) other program costs;
 - (10) in accordance with G.S. 122C-147, the purchase, construction and alteration, improvement or rehabilitation of a facility owned by the area program or county for the provision of day/night or 24 hour services by an area program or non-profit contract agency; or mortgage payments for private non-profit agencies according to the following provisions of Rule .1123 of this Section; and
 - (11) except as provided in Paragraph (a) of this Rule, Thomas S. Operating funds shall not be used to serve other than Thomas S clients.
- (c) Funds provided by the Division for Thomas S. services shall not be used to purchase client personal possessions or clothing unless:
- (1) a unique situation has been documented;
 - (2) this expenditure cannot be covered from another source.
- (d) Start-up funds, defined as funding provided to establish or prepare a facility or program for the provision of services, are required to be settled on an expenditure basis, may be provided to an area program or contract providers, including contract providers under direct contract with the Division, in accordance with the following provisions:
- (1) Expenditures for start-up may be approved in accordance with Paragraph (b) of this Rule with the following restrictions:
 - (A) vehicles are allowable expenditures if:
 - (i) no other method of transportation is available;
 - (ii) other methods are cost prohibitive; or
 - (iii) at least four Thomas S. Clients will receive transportation services from the vehicle.
 - (B) furnishings for residential and day services shall be limited to functional items and shall not include stereos, video cassette recorders, microwaves or similar items unless programmatic benefit is established;

- (2) Requests for start-up funds shall be made by the area program, or through the area program in the case of a contract provider, in whose catchment area the new program or program component is being established and is not required to be client specific;
- (3) Request for start-up funding shall be made in writing to the Division Director at least (90) days prior to need and shall include a line item budget and written justification; and
- (4) Request for start-up funding may include expenses for normal operations such as staff, utilities and rent but is limited and may not exceed (60) days;
- (e) Funds provided by the Division to support Thomas S. services, except as noted in Paragraph (d) of this Rule, shall be discontinued if the program fails to serve any Thomas S. clients.
- (f) Funds shall be awarded to the area program by the Division based on need and the availability of funds. The annual budget for the programs serving Thomas S. clients shall be budgeted in a separate cost center. Such cost centers shall include all sources of revenue which support the costs of Thomas S. clients.
- (g) Thomas S. Class members, as defined in Subparagraphs (a) (1) and (2) of this Rule, shall not be excluded from participating in programs or services for which they are eligible and which are funded from other sources.
- (h) The area program and contract provider shall provide financial and client data regarding Thomas S. Services to the Division according to instructions from the Division.

History Note: Authority G.S. 122C-147;

Eff. July 1, 1994;

Amended Eff. February 1, 1996.

.1149 PATH-HOMELESS GRANT

- (a) The Division shall administer a program of grants for children and adults to area programs called Path-Homeless Grant.
- (b) These funds shall be used to provide comprehensive services for homeless individuals who have chronic mental illness. Path-Homeless Grant funds shall be used to develop community mental health and related services to provide treatment and support to homeless mentally ill adults and children consistent with the provisions of Public Law 100-77, Title VI, Subtitle B, Part C and within the following guidelines:
 - (1) Homelessness is defined as individuals who lack a fixed, regular and adequate residence;
 - (2) An individual who has a primary residence that is:
 - (A) a supervised publicly or privately operated shelter designed to provide temporary living accommodations; or
 - (B) a facility that provides a temporary residence for individuals who would otherwise be institutionalized; or
 - (C) a public or private place not designated for, or ordinarily used as a regular sleeping accommodation for human beings;
 - (3) Homelessness does not include any individual imprisoned or otherwise detained under federal or state law.
- (c) Eligible adults are individuals who are 18 years of age or older and who have long term, severe disabling mental illness. Long term severe mental illness is defined as a serious and persistent mental or emotional disorder, e.g., schizophrenia, severe depression, manic-depressive disorder, etc. that disrupts functional capacities for relationships and work or school. Persons with long term mental illness complicated by alcohol and or drug abuse problems and individuals who are both mentally ill and mentally retarded are also eligible recipients.
- (d) Eligible children are individuals under the age of 18 who either:
 - (1) have an emotional disturbance of such severity as to significantly interfere with functioning within the family, school or community environment and to require intensive intervention by mental health or other related agencies; or
 - (2) are at high risk of severe emotional disturbance because of severe mental illness or substance abuse in the immediate family or excessive disruption of normal educational and developmental process; or
 - (3) are in addition to mental illness, also suffering from an added disability, such as neurological impairment, chemical dependency and or mental retardation.

*History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-47; 122C-147.1; 122C-147.2;
Public Law 100-77, Title IV, Subtitle B, Part C;
Eff. February 1, 1996.*

.1150 GOVERNOR'S SUBSTANCE ABUSE PREVENTION PROGRAM

(a) The Division shall administer a program of grants for children and adolescents to area programs called the Governor's Substance Abuse Prevention Program.

(b) These funds shall be used to provide targeted primary prevention services to children and adolescents who are at high risk for alcohol or other drug abuse.

(c) Eligible individuals are those who have reached the age of five but not 18 years of age who are not currently abusing substances but have a unit cost reimbursement (UCR) primary disability of child substance abuse and a unit cost reimbursement (UCR) level of eligibility of Subparagraph (4) of this Rule and have one or more of the following high risk factors:

- (1) is a school drop out,
- (2) has experienced repeated failure in school,
- (3) has become pregnant,
- (4) is economically disadvantaged,
- (5) is the child of drug or alcohol abusers,
- (6) is a victim of sexual, physical or psychological abuse,
- (7) has committed a violent or delinquent act,
- (8) has experienced mental health problems,
- (9) has attempted suicide,
- (10) has experienced long term physical pain due to injury, or
- (11) is a juvenile in a detention facility within the state.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2; General Education Provision Act, Education Department; General Administrative Regulations in 34 Code of CFR, Part 74, Part 76 and Part 77; and the Drug Free Schools and Community Act of 1986 and its amendments; Eff. February 1, 1996.

.1151 CAROLINA ALTERNATIVES

(a) The Division may contract with area programs to implement a managed care program for mental health and substance abuse services for children pursuant to a waiver granted by the Secretary of the United States Department of Health and Human Services in accordance with Title XIX of the Social Security Act, known as the Carolina Alternatives program.

(b) Funding shall be made available through monthly capitation payments received from the Division of Medical Assistance.

(c) Funds shall be awarded and settled based on the provisions in the contract between the Division and the area program.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2; Social Security Act, Waiver under Sections 1915(b) and (b)(4); Eff. February 1, 1996.

.1152 CLOZAPINE

(a) The Division shall administer a program for the reimbursement of area programs for the purchase of the drug Clozaril for the treatment of eligible clients suffering from schizophrenia.

(b) Funds shall be used for the reimbursement for laboratory services, pharmacy dispensing fees and for the price of the drug identified as Clozapine or Clozaril.

(c) Eligible clients shall be individuals who have a diagnosis of schizophrenia and are:

- (1) Medicaid eligible but have a spend down requirement (Division funds may be used during the spend down period and count toward the spend requirement);
- (2) not Medicaid eligible but who meet the federal poverty threshold;
- (3) discharged from a state psychiatric hospital on the drug Clozapine.

(d) Funds shall be paid and settled in a manner prescribed by the Division Director.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2; Eff. February 1, 1996.

.1153 COMMUNICABLE DISEASE RISK/SERVICES TO INTRAVENOUS (IV) DRUG USERS

(a) The Division shall administer a program for substance abuse services to adolescents or adults who inject controlled substances; or have sexual contact with partners who inject controlled substances, including methadone; or have tested positive for Human Immunodeficiency Virus (HIV), Acquired Immune Deficiency Syndrome (AIDS), Hepatitis B, Hepatitis C, sexually transmitted diseases or tuberculosis; or who have engaged in high risk behaviors with identified substance abusers.

(b) Funds shall be used for the provision of services in accordance with the special conditions in the Memorandum of Agreement or Summary of Significant Federal Requirements.

(c) Funds shall be awarded, paid and settled in accordance with the Annual Memorandum of Agreement.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2; Eff. February 1, 1996.

.1154 TREATMENT ALTERNATIVES FOR WOMEN

(a) The Division shall administer a program to provide comprehensive services to substance abusing pregnant women or substance abusing women with dependent children.

(b) Services may include primary medical, prenatal and pediatric care immunization, child care, transportation, gender specific substance abuse treatment and therapeutic intervention for children that address their developmental needs.

(c) Funds shall be used for the provision of services in accordance with the special conditions in the Memorandum of Agreement or Summary of Significant Federal Requirements.

(d) Funds shall be awarded, paid and settled in accordance with the Annual Memorandum of Agreement.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2; Eff. February 1, 1996.

.1155 UNIT COST REIMBURSEMENT (UCR) CHILD AND ADULT

(a) The Division shall administer a system of reimbursement of state, federal and other funds to area programs for eligible children and adult clients based on the provision of eligible mental health, developmental disabilities and substance abuse services. These payments exclude those services paid for under either the Willie M. or Thomas S. unit cost reimbursement systems.

(b) This system of funding shall be based on a consistently applied methodology which includes the following:

- (1) the identification of service expense centers,
- (2) the allocation of allowable costs,
- (3) the determination of expected units of service,
- (4) the calculation of a unit cost reimbursement rate,
- (5) the identification and assignment of revenue
- (6) the reporting of units of service and revenue,
- (7) the reimbursement of funds, and
- (8) settlement procedures.

(c) Funds shall be used for the provision of services in accordance with the Annual Memorandum of Agreement.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2; 122C-151.1; Eff. February 1, 1996.

.1156 SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

(a) The Division shall administer a grant program for the federal Substance Abuse Prevention and Treatment Block Grant which is made available to the Division under the authority of Public Law 102-321 Subpart II.

(b) The appropriate portion of funds in the block grant which are made available to the Division for substance abuse treatment and prevention services shall be used to make grants to eligible programs for the provision of comprehensive services.

(c) To be eligible to receive block grant funds, an area program shall provide the following services:

- (1) outpatient services, including outpatient services for children and adults who have substance abuse disorders or who are at risk for substance abuse and residents of its service area;
- (2) 24 hour-a-day emergency care services;

- (3) day treatment or other partial hospitalization services;
 - (4) screening for patients being considered for admission to state facilities to determine the appropriateness of such admission;
 - (5) consultation, education, and primary prevention services;
 - (6) TB screening and referral in accordance with federal requirements; and
 - (7) substance abuse services for pregnant and parenting women and adolescents.
- (d) On a statewide basis, block grant funds for alcohol and drug services shall be expended in accordance with the following:
- (1) At least 35 percent of the funds for alcohol and drug services shall be expended for programs and activities related to alcoholism and alcohol abuse;
 - (2) At least 35 percent of the funds for alcohol and drug services shall be expended for programs and activities relating to drug abuse;
 - (3) At least 20 percent of the amount used for alcohol and drug abuse services shall be expended for primary prevention and early intervention programs designed to discourage the abuse of alcohol, tobacco and other drugs. In order to ensure compliance with this requirement, each area program must expend no less than 20 percent of its allocation of SAPT-BG funds on primary prevention activities as outlined in the Memorandum of Agreement and Summary of Significant Federal Requirements;
 - (4) The state must spend at least five percent of the annual SAPT-BG amount to provide outreach intervention services for IV Drug Users using one of the following three models developed by the National Institute Drug Abuse Narcotic Addiction Treatment, incorporated by reference to include any subsequent amendments and deletions, and available from the Food and Drug Administration, 5600 Fishers Lane, Rockville, Maryland 20857 at no cost:
 - (A) Standard Intervention Model for Injecting Drug Users (NIDA);
 - (B) Health Education Model;
 - (C) Indigenous Leader Outreach Model;
 - (5) Treatment services designed for pregnant women and women with dependent children shall be increased at a rate not less than five percent for FY 1993. The base for FY 1993 shall be the FY 1992 alcohol and drug services block grant expenditures and State expenditures for pregnant women and women with dependent children and to this base shall be added the five percent of the FY 1993 grant amount for alcohol and drug treatment services. For FY 1994, the State shall spend five percent more than the FY 1993 total expenditure for pregnant women and women with dependent children. For grants beyond FY 1994, the State shall expend no less than the amount equal to the amount expended by the State for FY 1994. States shall report their methods to calculate their base for FY 1992 expenditures on treatment for pregnant women and women with children;
(Section 1924 - Requirements Regarding Tuberculosis and Human Immunodeficiency Virus)

The Division shall review expenditures and if the percentage requirements for services and prevention specified in Subparagraphs (d)(1), (2), (3) and (4) of this Rule are not met, the Division shall require changes in area program expenditure patterns to meet these federally mandated requirements.

(e) Non-Eligible Expenditures Funds shall not be expended for any of the following purposes:

- (1) to provide inpatient hospital services, unless a physician has certified that the clients primary diagnosis is substance abuse, the individual cannot be safely treated in a non-hospital setting, the daily rate charged does not exceed the rate charged by a comparable non-hospital service, and the service is medically necessary;
- (2) to make cash payments to clients;
- (3) to purchase or improve land; purchase, construct or permanently improve any building or other facility; or purchase major medical equipment;
- (4) to satisfy any requirement for the expenditure of non-federal funds as a condition for the receipt of federal funds;
- (5) to provide assistance to any entity other than a public or non-profit private entity;
- (6) to provide individuals with hypodermic needles or syringes so that such individuals may use illegal drugs; or
- (7) to support any individual salary in excess of one hundred twenty five thousand dollars (\$125,000).

(f) The Division Director shall allocate annually funds to the area programs. The funds shall be included in the Annual Service Plan and Memorandum of Agreement.

(g) Block grant funds allocated shall be used to supplement and increase the level of state, local, and other non-federal funds and shall, in no event, supplant such state, local, and other non-federal funds. The Division shall monitor compliance by comparing total budgeted revenues for the current fiscal year with those budgeted for the prior fiscal year for each area program exclusive of block grant funds. If block grant funds are reduced, the area program may reduce its participation in a proportionate manner.

History Note: Authority G.S. 122C-150; P.L. 102-321, Subpart II;
Eff. February 1, 1996.

.1157 NON-UNIT COST REIMBURSEMENT

(a) The Division may provide specific purpose funding with state, federal or other sources for activities authorized by the division and the granting agency and disburse these funds on a basis other than unit cost reimbursement.

(b) Funds shall be expended in accordance with the special conditions set forth in the Memorandum of Agreement between the area program and Division.

(c) Funds shall be settled on an expenditure basis in accordance with Rule .1014 of this Subchapter.

(d) Non Unit Cost Reimbursement shall be available for child, adult and other services.

- (1) Unless more narrowly defined in the allocation letter, funds for children shall be for individuals under the age of 18 years.
- (2) Unless otherwise defined in the allocation letter, funds for adults shall be for individuals 18 years of age and older.
- (3) Funds which cannot be identified for services to children or adults shall be considered "other".

History Note: Authority G.S. 122C-147;
Eff. February 1, 1996.

.1158 TRAUMATIC BRAIN INJURY

(a) The Division shall administer a program to provide periodic, day/night and 24 hour community based services to children and adults with traumatic brain injury.

(b) Eligible recipients are individuals who have a traumatic brain injury resulting from a sudden insult to the brain caused by external physical force and who have substantial functional limitations according to the DD Adult Eligibility Screening Inventory.

(c) Funds shall be used for the provision of services in accordance with the allocation letter and any special conditions in the Memorandum of Agreement or Summary of Significant Federal Requirements.

(d) Funds shall be awarded and paid in accordance with the Annual Memorandum of Agreement.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2;
Eff. February 1, 1996.

.1159 REVOLVING LOAN

(a) The Division may, upon authorization from the Office of Budget and Management, make available funds for loans to provide for the implementation of new community based programs and services.

(b) Authorization shall be based on written justification explaining the need for the loan; a list of expenditures to be incurred; a list of receipts to be received; and a repayment plan.

(c) Funds shall be used only for expenditures listed in Paragraph (b) of this Rule.

History Note: Authority G.S. 122C-141; 122C-143.1; 122C-143.2; 122C-147; 122C-147.1; 122C-147.2;
Eff. February 1, 1996.

.1160 DOMICILIARY CARE

(a) The Division shall administer a program of payments to area programs for services to clients residing in domiciliary care facilities, excluding DDA group homes.

(b) Such funds shall be used to make incentive payments for Medicaid covered services rendered to Medicaid eligible clients in domiciliary care facilities, including outpatient treatment (individual and group), evaluation, case consultation, day treatment, screening, case management and psycho social rehabilitation services to adults.

(c) The service shall be provided by an area program, or under contract to an area program. The staff member providing the service must be privileged by the area program to provide the service and documented according to Client Service Record manual requirement.

(d) Eligible clients shall be an adult resident of a licensed Family Care Home or home for the Aged and Medicaid eligible.

(e) Funds shall be awarded and paid in accordance with the Annual Memorandum of Agreement.

*History Note: Authority G.S. 122C-112; 122C-143.1;
Eff. February 1, 1996.*

SUBCHAPTER 14D - POLICIES ON INPATIENT AND RELATED SERVICES

- .0001 PURPOSE**
- .0002 DEFINITIONS**
- .0003 POLICY APPLYING TO REGIONAL MENTAL HOSPITALS**
- .0004 POLICY APPLYING TO AREA MENTAL HEALTH PROGRAMS**
- .0005 POLICIES APPLYING TO REGIONAL HOSPITALS AND AREA PROGRAMS**

*History Note: Authority G.S. 122-1; 122-1.2; 143B-10; 143B-137; 143B-140;
Eff. February 17, 1977;
Repealed Eff. September 15, 1978.*

.0006 USE OF DIVISION FUNDS FOR INPATIENT SERVICES

(a) Inpatient funding for the purchase of services from local inpatient providers and medical doctors shall meet the following requirements:

(1) Program Requirements

- (A) Division funds may be used by area programs for the purchase of community inpatient care with local providers. All patients to be served under the plan shall be accepted as patients of the area program. Such a patient is one who is assigned an area program client record number, has a master client record card and services rendered are documented in a client record in accordance with are program standards requirements in 10 NCAC 18A .0310 and .0311. Area authorities shall contract with a local inpatient provider accredited by the Joint Commission of Accreditation of Hospitals Organization or licensed by the Division of Facility Services and designated by the Division of Mental Health, Developmental Disabilities and Substance Abuse Services.
- (B) Non-residents of the State of North Carolina may receive inpatient care under the area program inpatient program only under emergency situations. An emergency situation would be where a person needs immediate hospitalization which cannot be delayed until he is transported to an appropriate inpatient facility within his resident state.
- (C) An area authority may contract with private psychiatrists or other medical doctors to provide professional services in inpatient settings. Such contracts shall be in accordance with 10 NCAC 14C .1010.
- (D) Part-time consultant medical doctors employed by the area program for non-inpatient care may also be contracted to provide inpatient care. The area director shall assure that there will not be a conflict, such as dual payment, between the part-time physician's employment for outpatient care and in the inpatient program.
- (E) Use of Division funds for inpatient services shall be limited to services for alcohol or drug detoxification and for treatment of emotional disorders.

(2) Fiscal Requirements:

- (A) A written contract between the area authority and the provider or attending medical doctor shall be established in accordance with 10 NCAC 14C .1010. The contract shall contain, at a minimum, provisions which deal with such matters as payment for patient; responsibility for reimbursement; services to be provided; responsibility for patient admission; records; statistical information; posting of payments; and maintenance of patient care cost.
- (B) Requirement for Inpatient Facilities Reimbursement:
 - (i) Reimbursement to the inpatient provider for alcohol and/or drug detoxification or emotional disorders shall not exceed the lesser of the following:
 - (I) the difference between any first and/or third party payments or both collected and the approved all inclusive prospective medicaid reimbursement rate for the provider on an individual patient basis; or
 - (II) charges for inpatient services. The medicaid rate to be reimbursed shall be the effective rate at date of discharge. The inpatient provider shall follow usual collection procedures for each patient before billing the area program.
 - (ii) A request for reimbursement for inpatient cost shall be submitted by the provider to the area program which will be the basis for reimbursement.
- (C) Requirements for Attending Physician Reimbursement:

- (i) Area authorities which elect to contract with medical doctors for the provision of inpatient services shall use one of the following two methods to reimburse the medical doctor for services:
 - (I) The area program shall pay the medical doctor at his medicaid provider rate or usual and customary charge until a medicaid provider rate is established for all services rendered. Under this method, the area program shall bill all first and third party payors for all services rendered and retain all receipts.
 - (II) The medical doctor shall bill all first and third party payors for rendered. The medical doctor shall request reimbursement from the area program for any unreimbursed care, up to his medicaid provider rate.
 - (ii) Full-time medical doctors employed by the area program may be eligible for payment from inpatient funds according to the area policy for reimbursement of physicians providing on-call, extended duty and emergency call-back services. The area policy shall be included in the "other pay" provisions submitted to the State Personnel Director. These provisions are in addition to the regular pay plan submitted and may be submitted separately.
- (b) The area program shall not be required to make a cost settlement with the local inpatient provider.

History Note: Authority G.S. 122C-112; 122C-147; 122C-148;
Eff. December 29, 1978;
Amended Eff. February 1, 1996; April 1, 1990; July 1, 1983; February 25, 1980.